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NEWS SUMMARY

GENERAL

Defector shot dead in Paris

A Yugoslav defector was shot dead in Paris as he called on friends.

Bruno Busic, aged 38, a journalist who had been living in London, was known for his opposition to the Communist regime in Yugoslavia, according to police.

He died instantly after being shot in the face at the entrance of an apartment building. The killer fled.

He is the third defector to die in suspicious circumstances recently. In London the Bulgarian Georgi Markov, died after being injected with a micro-dot ball of poison, and his countryman, Vladimir Simenov, was found dead after apparently falling down stairs at his home.

Pope's policy

Pope John Paul II implied that he will have a liberal policy on social issues and a more traditional approach to doctrinal matters. He will be formally installed on Sunday. Page 3

Davies' operation

John Davies, Shadow Foreign Secretary taken ill during the Conservative Party Conference, has undergone a neuro-surgical operation and has cancelled all engagements until the new year.

Thieves threat

Police can no longer protect city dwellers against thieves, because inadequate forces had more demanding priorities, Sir Robert Mark, former Metropolitan Police Commissioner, said in London.

Lebanon demand

Arab foreign ministers ended their emergency conference on the Lebanon crisis with a call for the authority of the Lebanese Government to be strengthened, the disarming of militias and a rebuilding of the army. Page 4

Nobel chemist

Dr. Peter Mitchell, aged 58, of Glynn Research Laboratories, Bodmin, Cornwall, has been awarded the $165,000 (£82,000) Nobel prize for chemistry. His work has shown how energy is transformed within living cells.

The prize for physics is shared by a Russian and two Americans. Page 2

Namibia formula

The Namibia talks in Pretoria are likely to continue for a third unscheduled day today as Western foreign ministers and South Africa seek a compromise to salvage a United Nations plan for elections in the territory. Back Page

Stonehouse fears

John Stonehouse, the jailed former Labour Minister, is due to undergo major heart surgery. But his family fears an industrial dispute at Hammersmith Hospital could delay the operation.

Tanker offer

Offers to receive the crippled Greek tanker Christos Bitas, should it be salvaged from off the Welsh coast, have come from Falmouth and Rotterdam.

Towers verdict

The jury at the second inquest on former boxing coach Liddle Towers returned a "misadventure" verdict, overturning the "justifiable homicide" verdict brought in two years ago and set aside earlier this year by the High Court.

Briefly ...

British Caledonian starts a weekly scheduled service between Gatwick and Benghazi on November 1. Page 11

Extensive damage was caused by an oil tank fire at the Raleigh cycle works, Nottingham.

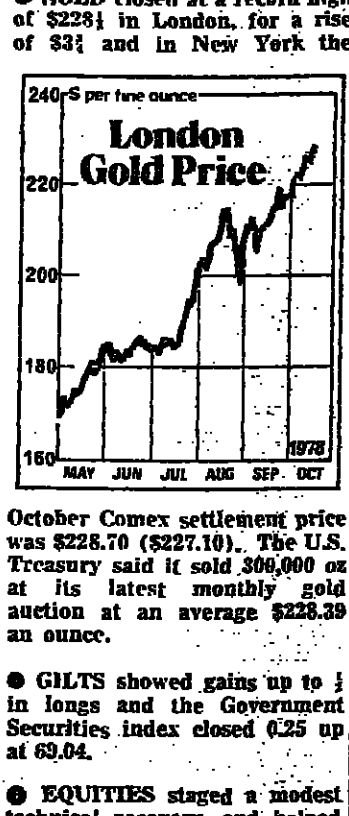
Renovated MG X 181, which set up four world speed records in the 1950s, crashed during a trial at RAF Abingdon.

Chief engineer of Norwegian oil supply ship was found stabbed in his cabin at Great Yarmouth.

BUSINESS

Gold at new high; Gilts gain

● GOLD closed at a record high of $228¼ in London, for a rise of $3¾ and in New York the



October Comex settlement price was $228.70 ($227.10). The U.S. Treasury said it sold 300,000 oz at its latest monthly gold auction at an average $228.39 an ounce.

● GILTS showed gains up to ½ in longs and the Government Securities index closed 0.25 up at 69.04.

● EQUITIES staged a modest technical recovery, and helped by good news from Marks and Spencer the FT ordinary index put on 3.9 to 498.5.

● STERLING closed 70 points up against the dollar at $1.9960, after rising above the $2 in the afternoon. Its trade weighted index fell to 62.1 (62.2). The dollar's depreciation widened to a record 11.0 per cent (10.6).

● WALL STREET closed 2.27 down at 866.34 in heavy trading.

● THE STOCK EXCHANGE has decided not to change its trading and listing regulations, even though the Office of Fair Trading says they are restrictive. Back Page

● UK Government is seeking to establish formal contacts with OPEC, the Energy Minister has said. Britain is now the 13th largest oil producer in the world. At the same time Ministers are concerned at the relationship between the Government and BP. Back Page

● NEB has sold its subsidiary Thwaites and Reed, the clockmakers which built and maintains Big Ben, for just over £78,000. The Board has lost £450,000 on the company since its purchase in May, 1977. Page 30.

The NEB plans a radical reorganisation of the UK telecommunications industry with the help of state funds, and has been holding talks with the three main companies involved. Back and Page 18

● CHRYSLER has reached an agreement with Mitsubishi Motors of Japan to take 200,000 four cylinder engines a year from Mitsubishi from 1980. Back Page

● ARCHAEOLOGICAL dig on the site of Electricity Supply Nominees Watling Court office development in the City could cost the electricity industry pension fund's insurers up to £1m. Page 11

COMPANIES

● FURNESS WITHY pre-tax surplus for the first half of 1978 fell from £13.27m to £5.70m. Page 29 and Lex

● BROOKE BOND LIEBIG pre-tax profits for the year to June 30 fell from £49.33m to £44.72m on sales of £756.2m against £769.15m, reflecting UK sales reductions. Page 28 and Lex

● COURTAULDS is allowing its £11.9m bid for J. Compton Sons and Webb to lapse, following a rival £13.1m bid by the Vantona group. Page 30

● CHASE MANHATTAN BANK maintained its profits recovery with third quarter profits up 62 per cent to $50.3m over the same period last year. Page 34

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Excheq. 12% '99-02	£94¼	+ ½
A.B. Electronics	130	+ 8
Birmingham Mint	136	+ 6
Boots	202	+ 5
Brit. Home Stores	210	+ 6
Brook St. Bureau	88	+ 3
Burton "A"	173	+ 6
Centrovincial Ests.	91	+ 4
Dawson Intl.	210	+ 8
Coalite and Chem.	73	+ 4
Common Bros.	160	+ 10
Courtaulds	121	+ 1
Dares Ests.	20	+ 2½
EMI	160	+ 5
English Prop.	40½	+ 2½
Erith	104	+ 7
Farm Feed	72	+ 4
Furness Withy	241	+ 7
GUS "A"	314	+ 6
Man. Agency & Music	88½	+ 5½
Marks & Spencer	87	+ 5
Metal Box	352	+ 6
Moss Bros.	127	+ 9
Racal Electronic	332	+ 7
Regalian Prop.	24½	+ 6½
Spirax-Sarco	166	+ 4
Utd. Carriers	99	+ 4
Ultramar	232	+ 7
Elandsrand	222	+ 13
Geevor	165	+ 10
Gopeng Cons.	340	+ 15
RTZ	259	+ 6
Southern Kinta	230	+ 10
Western Hldgs.	£19¼	+ ½

FALLS

Edinburgh Ind.	8	− 1½
Jamaica Sugar	13	− 4
Ricardo	330	− 18
Steel Bros.	200	− 15
CRA	290	− 8
MIM	197	− 5

Ministers split as monetary system talks begin in Bonn

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

Senior Ministers are split about whether the UK should join the proposed European Monetary System as Mr. James Callaghan seeks assurances about the way the scheme will operate in two days of talks in Bonn with Chancellor Helmut Schmidt of West Germany.

The Prime Minister and Mr. Denis Healey, the Chancellor of the Exchequer, start the talks today with the view that the UK should join the proposed system provided that the terms are right.

But they believe that several major features of the scheme, as it stands at present, will have to be clarified and modified if the UK is to participate.

It has, however, become clear in the last few days that the Cabinet and its key advisers are split about the merits of the scheme and the divisions do not merely cut across traditional pro and anti Common Market lines.

Thus Mr. Eric Varley, the Industry Secretary, and Mr. Edmund Dell, the Trade Secretary, are understood to have been sceptical about the proposal so far because of their possible impact on industry and exports.

The strongest opponents are apparently the expected group of Mr. Peter Shore, the Environment Secretary, Mr. Anthony Wedgwood Benn, the Energy Secretary, and Mr. John Silkin, the Agriculture Minister.

On the other side, support in general for British participation has come from Mr. Harold Lever, the Chancellor of the Duchy of Lancaster, and a long-time advocate of stable exchange rates, Mrs. Shirley Williams, the Education Secretary, and Mr. Roy Mason, the Defence Secretary. Mr. Roy Hattersley, the Prices Secretary, is keeping his options open so far.

Mr. Gordon Richardson, the Governor of the Bank of England, is also believed broadly to favour the proposed system, and a paper on similar lines is thought to have come from Sir Kenneth Berrill, head of the Cabinet's "think tank." Both men are understood to have reservations on particular points.

These views have emerged from informal Whitehall discussions. But Mr. Callaghan is understood to have blocked an attempt by anti-EEC Ministers to raise the issue at a meeting of the full Cabinet earlier this month.

Mr. Callaghan is believed to want to keep open his options and avoid commitments of principle for as long as possible, at least until it is clear whether any major concessions can be extracted from the rest of the EEC.

The Bonn talks are seen in London as being crucial to the overall outcome, especially as it is conceded in Whitehall that the negotiations have so far not developed as Britain would wish.

Both Mr. Callaghan and Mr. Healey are now understood to be mainly concerned with the problem of ensuring that any new system will be durable and that sterling can meet the requirement.

British Ministers believe that a transfer of resources within the EEC, via a reform of the budget and the Common Agricultural Policy, is essential for the system to be durable.

Adrian Dicks writes from Bonn: Chancellor Schmidt is still expressing confidence that the proposed European Monetary System can go ahead on schedule.

Herr Klaus Boelling, the official Government spokesman, said Herr Schmidt had no doubt that Finance Ministers would complete their report on the workings of the system by the end of this month. It was also realistic to expect that it could be put into effect by the target date of January 1.

In a telephone conversation on Monday night, Mr. Callaghan and Herr Schmidt agreed that discussion should be moved to the political level, and should not dwell on the technicalities that have dominated the Finance Ministers' talks in Luxembourg.

Trade talks now unlikely to end this year

BY GUY DE JONQUIERES — LUXEMBOURG, Oct. 17.

THERE NOW appears little chance that the multilateral negotiations on liberalising trade can be concluded by mid-December, as planned. The final round of tough political bargaining will almost certainly have to be deferred until next year.

This became clear today when EEC Foreign Ministers issued a firm warning that they were not prepared to complete the General Agreement on Tariffs and Trade negotiations without guarantees that President Carter's right to waive countervailing duties on imports would be renewed and that the U.S. would not seek to exclude textile tariffs from the final trade package.

Their move follows the rejection by the U.S. House of Representatives on Sunday of a Bill to which an amendment had been added extending the President's powers to waive countervailing duties. His present authority for this expires on January 2.

The Ministers resisted pressure from within their own ranks to take more drastic action to force the Americans' hand. The possibility of breaking off negotiations unilaterally was discussed but rejected.

Mr. Edmund Dell, Trade Secretary, who flew to Luxembourg directly from talks with senior Administration officials in Washington, described the EEC's position as one of "magisterial reasonableness"

EEC officials, however, hold out little hope that President Carter will be able to extend the countervailing duty waiver on his own authority. They expect that he will have to seek a formal renewal from the new Congress when it convenes in mid-January.

Such a request, if approved, could still allow a successful conclusion of the negotiations, but to take effect the trade talks package would have to be ratified by Congress before the end of next year, when the Administration's negotiating mandate is due to expire.

The EEC also wants President Carter to veto or disregard the Congressional amendment approved last weekend excluding textile tariffs from the negotiations.

The Community has long complained that the high level of U.S. tariffs inhibits European textile exports. It has told the U.S. that the present offer of a relatively small reduction is inadequate.

Mr. Dell was assured in Washington that President Carter would not allow this issue to obstruct completion of the GATT talks, but he appears to have received less than a binding commitment from the Administration to veto the amendment. The amendment was backed by powerful political interests in the Congress

The outlook for a renewal of the countervailing duty waiver is considered somewhat more hopeful. It is pointed out that the Administration's request was passed separately by both Houses of Congress, although the two pieces of legislation were not brought together before Congress adjourned on Sunday.

M & S half-year profits up 40%

BY JAMES BARTHOLOMEW

MARKS AND SPENCER is cashing in heavily on the boom in consumer spending. Yesterday it announced a 40 per cent increase in interim profits for the half year to the end of September, declared an interim dividend up 23 per cent and saw its share price rise 5p on the day to 87p.

Marks and Spencer has done particularly well out of increased spending on clothing as personal incomes have risen in real terms. The company has taken advantage of this to introduce more expensive ranges such as men's coats, suits, and leather and suede jackets.

"We have many more items in the £50 to £80 range than we did a year ago." Mr. John Samuel, the finance director, said yesterday. "We find they sell not only in the West End to tourists but also in our other major stores."

The contrast with the equivalent results last year is particularly marked because at that time, volume was being maintained at the expense of the profit margin. Now that policy has been completely reversed. Prices on individual items have not been markedly increased, but the average price of products bought has gone up through the introduction of the new up-market ranges.

The smaller food side, meanwhile, has retained its ability to shrug off the supermarket price war. Sales in the UK were up by the same amount as clothing —22 per cent.

The new credit scheme introduced a few months ago has been a great success. Mr. Samuel confirmed yesterday that it would be available at another eight stores at the beginning of next year. The scheme would have been extended sooner, but the existing outlets were swamping the finance company's administrative capacity.

The only poor results yesterday were those involving overseas markets. Losses were still being made in Europe and Canada although Mr. Samuel was confident that problems there would be overcome in due course.

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FEATURES

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Dollar fall continues in spite of support

BY MICHAEL BLANDEN

WIDESPREAD and determined central bank support failed to stem the growing pressure on the U.S. dollar yesterday as the speculative turmoil on the foreign exchange markets continued.

The dollar fell to new lows against several leading currencies, including the West German D-mark and the Japanese yen, and the pound again moved temporarily above the $2 level during the day's dealings.

Uncertainty in the exchange markets was reflected in a renewed rise in the price of gold, which closed in London at a record level of $228¼ an ounce, up by $3¾ from the previous day.

Dollar sales gained strength in spite of the weekend news of the revaluation of the D-mark within the European snake or joint floating arrangement and of President Carter's success in getting his energy Bill through Congress.

The West German authorities gave their greatest support to the dollar for several months, the Swiss central bank intervened strongly and the Bank of England and the U.S. Federal Reserve were also thought to have offered support.

Nevertheless, the U.S. currency's value as measured by the trade-weighted average depreciation calculated by Morgan Guaranty at noon in New York fell to a record of 11 per cent, against 10.6 per cent on the previous day.

The revaluation of the Deutsche Mark has reduced some of the strains on the European snake, where it is now in the middle of the permitted range of fluctuations with the Scandinavian members at the top and the Benelux currencies at the bottom.

The Deutsche Mark continued to gain against the dollar, however, touching a new peak at DM 1.8290 before closing in London at DM 1.8380, compared with DM 1.8530 on the previous day.

The dollar fell to a new low against the Japanese yen, at Y181.1, closing at Y181.7. The Swiss franc also gained, although it failed to reach previous record levels.

The pound ended the day with a gain of 70 points on the dollar at $1.9960 after touching $2.005. Its trade-weighted index, however, slipped from 62.2 to 62.1.

£ in New York

—	Oct. 17	Previous
Spot	$1.9950-9960	$1.9930-9940
1 month	0.50-0.50 dis	0.55-0.46 dis
3 months	1.60-1.50 dis	1.70-1.60 dis
12 months	5.30-5.70 dis	5.90-5.80 dis

Vauxhall faces all-out strike threat

BY PHILIP BASSETT, LABOUR STAFF

VAUXHALL MOTORS faces the possibility of an all-out strike by its 26,000 manual workers in two weeks' time after the company refused yesterday to increase its pay offer beyond 5 per cent.

It said though that Government pay policy considerations had not featured in its negotiations. Its pay offer was based on the company's own trading position and performance.

A strike by Vauxhall workers would do further serious damage to the country's motor industry, already in the fourth week of a strike by Ford workers which has stopped all production by the company.

A shutdown of Vauxhall's plants at Luton, Dunstable and Ellesmere Port would greatly increase trade union pressure against the Government's heavily-attacked Phase Four.

The strike threat came as TUC leaders were meeting Ministers in their continued search for a general understanding on pay policy for the coming winter.

Union negotiators made it clear yesterday after a day of talks with the company in London, that although they were open to a further meeting, it would have to be to provide more money on basic rates. Vauxhall so far has offered basic rate increases of between 4.2 and 4.8 per cent.

Mr. Cliff Keech, chairman of the trade union side of the joint negotiating committee, said after the meeting that the company had been given 14 days' notice of strike action. The trade union side would be recommending its unanimous decision to the workforce at mass meetings later this week.

Vauxhall again laid great stress on a productivity deal. The union negotiators are receptive to the idea and, with management, have prepared a scheme, but are not prepared to discuss it until the company increases its offer on the basic rates.

Mr. Jack McGowan, secretary to the trade union side, said that they would want to end the negotiations at least as favourably as workers at Ford. Ford had offered 8.5 per cent—Vauxhall had offered nothing like that figure.

The company's offer includes the establishment of a craft grade for skilled workers, consolidation of a relativities payment, and pay increases ranging from £2.60 to £3.82 for day-shift workers—giving rates for a 40-hour week of from £66.40 to £83—and from £4.12 to £6.60 for night-shift workers, raising their 40-hour week basic rate from £88.31 to £110.39.

The unions have claimed "substantial" pay rises, a phased reduction to a 35-hour week and consolidation of lead-in productivity payments and existing supplements.

Background

Vauxhall made a new offer yesterday of a supplemental payment of 1.5 per cent, subject to sustained performance over a full working week, which the union side termed an "attendance allowance."

Mr. Geoffrey Moore, personnel director, said the company had negotiated against the background of its performance, its need, and its employees' hopes and aspirations. Government pay-policy references had not featured in the discussions at any time.

He said the company had pressed to get a "meaningful" productivity plan in operation because that was the best way it could take care of the aspirations of its employees, and its own trading position.

The company had still to get the benefit of the 4,500 additional staff it had taken on during the

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SU toolmen face call to end strike Page 12

Kodak strike rejected

BY NICK GARNETT

IN A significant development yesterday, union negotiators failed to persuade Kodak's 8,000 manual workers to take a rigid line against the 5 per cent pay limit.

Mass meetings of the company's UK labour force convincingly rejected a recommendation from their top negotiating council for an all-out strike from this morning.

The decision will encourage many companies to believe that they can settle with their workforce at 5 per cent providing it is coupled with a substantial productivity deal. Kodak is offering a productivity-linked 8 per cent increase on basic rates together with a straight pay rise inside the pay guideline.

The Transport and General Workers Union, which has been spearheading the battle against the 5 per cent guideline, is the largest union at Kodak.

Mr. Peter Liddall, secretary of the unions' negotiating committee, said a meeting of senior shop stewards would now be reconvened to consider the position.

BL rift with Benelux sales chief

By Charles Batchelor

AMSTERDAM, Oct. 17.

BL (formerly British Leyland) has suspended the managing director of its sales operations in Holland, Belgium and Luxembourg, because of "a deep-seated difference of opinion on policy matters." Mr. Jan de Kleermaeker, aged 41, has been managing director of Leyland Nederland, since 1972.

A decision will be taken on his future at a meeting of Leyland Nederland's Board of directors, consisting of BL executives, within a few weeks, the company said. Leyland Nederland is fully-owned by BL International Holdings. Mr. Peter Morgan, aged 43, BL's managing director in Italy, will take over for the time being.

The disagreement between Mr. de Kleermaeker and BL concerns future policy developments and not past policy, the company said.

Mr. de Kleermaeker has been with Leyland Nederland since the company was set up in May, 1970. Starting as financial director, he became managing director in April, 1972 and was appointed managing director for Belgium and Luxembourg in 1975.

British Leyland's share of the Dutch car market has declined in the past year or so but this has been due to a switch to more expensive models, such as the Rover and Jaguar, rather than to a decline in overall demand.

BL sold 12,607 cars in the first half of this year compared with 13,262 in the same period of 1977. Its share of the Dutch market fell to 3.7 per cent from 4.1 per cent. It expects to sell 24,000 cars this year compared with 22,647 in 1977.

Leyland Nederland is pleased with the development of sales but would like to see a more equal distribution over the company's range. Dealers concentrate on selling the more expensive models because their profit margin is greater.

Briton wins Nobel chemistry Prize

BY WILLIAM DULLFORCE

STOCKHOLM, Oct. 17.

DR. PETER MITCHELL, 58, Director of Research at the Glynn Research Laboratories, Bodmin, Cornwall, has won this year's Nobel Prize for Chemistry. A Russian and two Americans share the Physics Prize. Each is worth SKr725,000 (£84,000).

The Royal Swedish Academy of Sciences awarded Dr. Mitchell the Chemistry Prize for "his contribution to the understanding of biological energy transfer through the formation of the Chemiosmotic Theory."

This theory explains the mechanisms by which energy is transformed within living cells. It was received with scepticism when first launched by Dr. Mitchell in 1961 but over the past 15 years work in both his own and other laboratories has shown that it was basically correct. It is now accepted as a fundamental principle in bioenergetics, the study of the chemical processes responsible for the energy supply in living cells.

The theory concerns the synthesis of adenosine triphosphate (ATP), a compound in which energy is conserved during photosynthesis in plants and respiration. The processes by which ATP is formed were generally known by the beginning of the 1960s but the mechanism by which ATP synthesis was linked with the transfer of electrons remained a mystery.

Dr. Mitchell suggested that it was based on an indirect interaction between oxidising and phosphorylating enzymes. His concept of biological power transmission, or "proticity" as he has recently begun to call it, has since been shown to apply to other cellular processes requiring energy, such as the uptake of nutrients by bacterial cells, heat production and the movement of bacteria.

Half the physics prize goes to Professor Pjotr Leontevitj Kapitsa, 84, of the USSR Academy of Sciences, for his inventions and discoveries in low-temperature physics. The other half is shared by Dr. Arno A. Penzias, 45, and Dr. Robert W. Wilson, 42, both radio astronomers of the Bell Telephone Laboratories, New Jersey, for their discovery of cosmic microwave background radiation.

Low-temperature physics deals with the properties of materials at temperatures just above the Absolute Zero point of minus 273 degrees Celsius. Professor Kapitsa opened a new epoch in this field in 1934, when he constructed a device for producing liquid helium, which cooled the gas by periodic expansion.

He has since played a leading role in low-temperature physics. Among other things he established the laboratory for the study of low-temperatures at Cambridge, UK.

Drs. Penzias and Wilson used a highly sensitive receiver, originally built at Bell Telephone Laboratories in the beginning of the 1960s for radio communication with satellites, to study the radiation emitted by single stars, galaxies and quasars.

Their tests led to the surprising conclusion that the universe is filled uniformly with microwave radiation and revived the theory that the universe was created by a cosmic explosion or "big bang," of which the microwave background was the fossil radiation.

During the past few years it has been found that this radiation is not quite uniform and that its intensity can be linked with the motion of the Earth and the Solar System relative to the radiation field. This opens up the possibility of "defining absolute motion in space."

Norway in fish protest to Russia

Norway has protested to the Soviet Union about its inspection of three British trawlers fishing in the Barents Sea with Norwegian permits, a Foreign Ministry official told Reuters in Oslo. Soviet inspections of the trawlers Coriolanus and Arctic Buccaneer on August 10 and the Sir Fred Parkes on August 27 clearly violated an agreement between the two countries signed in Moscow last year, he said. The incidents took place in the so-called grey zone, a disputed area resulting from the establishment of the 200-mile economic zone by Norway and the Soviet Union.

Swiss jobless rise

Switzerland's total of unemployed reached 8,090 at the end of last month, about 0.3 per cent of the labour force. This is a rise of 3.2 per cent from the previous month and 4.4 per cent from September, 1977. It is the highest level since May this year, writes John Wicks in Zurich.

Record reserves

Foreign currency reserves of the Swiss National Bank reached a record level of SwFr 25.2bn. (£8.3bn) in the second week of October, writes John Wicks in Zurich. Switzerland's foreign currency and gold reserves now total SwFr 37.1bn (£12.3bn).

Portugal and EEC

Portugal's negotiations to join the European Common Market, a move that could eventually bring Portugal major economic benefits and steady its progress towards democracy, have opened officially, writes AP from Luxembourg. Portugal's entry, expected to be completed by about 1985, poses initial economic difficulties for both Portugal and the current Community members.

Turkey devalues

Turkey devalued the lira against eight European currencies by small amounts ranging from about 1 per cent to 3 per cent, AP reports from Ankara. Turkey has made a series of weekly adjustments in past months to maintain realistic foreign exchange rates.

The lira's loss in value was heaviest against the Deutschemark, which increased in value to L13.25, from L12.88.

NATO planners to discuss nuclear projects

BY GILES MERRITT

BRUSSELS, Oct. 17.

THE SEVEN NATO Defence Ministers in the Alliance's Nuclear Planning Group (NPG) meet here tomorrow for two days of talks at which the European member nation's future nuclear commitments will figure high on the agenda.

The degree to which NATO European allies develop nuclear capabilities by the late 1980s that would replace those at present contributed by the U.S. is scheduled for discussion at the meeting following the recent preparation by the Carter Administration of a list of military options that might be considered.

There are four broad alternatives proposed for discussion as ways in which NATO's European nuclear strike capability could be developed. These range from deployment of the cruise missile to the development of a longer range intermediate ballistic missile that would counter the USSR's SS20 missile, and from the improvement of the present Pershing missiles' range to the increased use of submarine-borne missiles.

The NPG talks, which take place at regular six-monthly intervals, are to be chaired by Dr. Joseph Luns, the NATO Secretary-General. In addition to the Defence Ministers of the four permanent NPG countries—the U.S., Britain, West Germany and Italy—the talks will be attended by those of Belgium, Turkey and Denmark, which are among the NATO countries whose membership of the seven-man group rotates every 18 months. Also present will be the four senior NATO military chiefs, including General Haig, the Supreme Allied Commander, and General Gundersen, chairman of the NATO military committee.

The meeting is due to review the latest modernisation requirements analysed by the "task force" of the NATO long term defence programme to maintain the nuclear balance in Europe. But it is probably the extent to which European allies could increase their NATO role that will provide the theme of the talks.

Gaddafy proposes Libyan aid effort for Malta

BY OUR OWN CORRESPONDENT

VALETTA, Oct. 17.

LIBYAN leader Col. Muammar Gaddafy, has urged members of the country's General People's Congress to sanction economic, financial and investment aid for Malta.

In an address on Radio and Television, Col. Gaddafy explained Malta will lose an annual M£14m (£19.2m) from the closure of British military bases next year, and since the island has no alternative sources of income Libya should grant it assistance. Gaddafy added he was prepared, if it were felt necessary, to invite Maltese Premier Dom Mintoff or any other leading Maltese official to address the Congress meeting, which opens on Saturday, and at which the first item on the agenda will be the Malta aid proposal.

Malta in effect will lose M£28m a year from Britain's military withdrawal. Britain and NATO pay the island an annual M£14m in rent for the use of air and ground military facilities. The 7,500 British troops and their families which until recently were based here spend another M£14m a year.

Col. Gaddafy said Libya should also offer jobs to Maltese losing employment as a result of the bases closure.

In Parliament last night Mr. Mintoff announced that Libya had recently given the island five helicopters and two gunboats. It had also set up a M£1.2m air company which will operate executive jets, helicopters and an air ambulance, and had joined Malta in creating a joint fishing company. In addition, he said, Malta was participating in a new company which will handle the repair and maintenance of Libyan vehicles and earth-moving equipment.

Policemen arrested after rebellion over Basques

BILBAO, Oct. 17.

SPANISH AUTHORITIES have arrested 25 policemen suspected of having taken part in demonstrations and other incidents here following the murder of two colleagues by Basque separatists, informed sources said today.

The sources said the 25 are now under military guard. At least 10 of them are expected to be expelled from the force, and more arrests are possible.

The authorities cracked down hard on unrest in the Bilbao armed police force, which boiled over into virtual rebellion on Friday after gunmen of the Basque guerrilla organisation, ETA, machine-gunned to death two policemen.

Several hundred armed policemen staged a sit-in demonstration in their barracks outside Bilbao on Friday evening. The next day, senior police and local government officials who attended the funeral of the two men were abused by policemen, who pummelled the car of the armed police chief, Gen. Manuel Timon de Lara.

The sources said 13 of the arrested men, who included a junior lieutenant and two non-commissioned officers, were accused of provoking violent and public protests in their barracks. The remaining 12 are held for alleged abandonment of duty.

The wekend's incidents in Bilbao were the most serious in the traditionally Right-wing armed police since 200 riot policemen went on a looting rampage in the Basque town of Renteria last July.

ETA killed five members of the security forces in the Basque country last week in a stepped-up campaign to provoke dissent within the police force.

Reuter

Soviets arrest another unofficial trade unionist

BY DAVID SATTER

MOSCOW, Oct. 17.

ANOTHER member of the group of unemployed workers who tried to organise the Soviet Union's only unofficial trade union has been arrested by the security police and was due to *be transferred to a prison today.*

Mr. Vladimir Svirsky, a biologist, was seized and his books, tape recordings and typescripts confiscated, according to Mr. Vsevolod Kuvakin, a witness to the arrest. The authorities said a case would be prepared against Mr. Svirsky, Mr. Kuvakin added.

The independent trade union was founded in February by 43 people who lost their jobs after voicing complaints about industrial abuses. The leader of the group, Mr. Vladimir Klebanov, a coalminer from Donetsk, had been sacked as a supervisor in a mine after complaining about *inadequate safety precautions* responsible for up to 15 deaths a year.

In February, shortly after the trade union was formed, at least seven of the 43 founders were reported arrested. Mr. Klebanov was committed to a mental hospital and is still in custody. Mr. Valentin Poplavsky, another active member of the group, is a prisoner in a labour camp.

Easier EEC loans urged for depressed regions

BY RUPERT CORNWELL

ROME, Oct. 17.

A SUGGESTION that the European Investment Bank should make special loans on concessionary terms to developing areas within the Community, including the depressed Mezzogiorno region of southern Italy, came today from a senior West German official and adviser to Chancellor Helmut Schmidt.

Dr. Horst Schulman, a policy director at the Bonn Chancellery, made it clear that the federal republic, which is bound to be the largest provider of funds for the EEC's future development, was ready to play a full part in removing regional imbalances.

He told the "Outlook for Italy" conference organised in Rome by the Financial Times and the INSUD development agency for the Mezzogiorno that the Community had to step up the transfer of real resources from its stronger to its weaker members if the planned European monetary system was to be a success.

Italy was likely to seek long-term loans for this purpose, if only to make maximum use of the momentum generated by greater monetary stability for private investment, he said.

"This is a task in which the EIB will have an important role as lender of last resort. . . . If loans by the bank are not sufficiently attractive, then we should seriously look at the possibility of concessionary loans for specific regions, with the interest rate subsidy covered by grants from the EEC budget."

Dr. Schulman also returned to the attack over the common agricultural policy, changes in which seem certain to be demanded by Britain and possibly Italy as part of the price of entry into the European monetary system.

The burden of this argument was that at present the CAP consumed over 70 per cent of the total Community budget, primarily to the advantage of already wealthy countries like the Netherlands and Denmark, in its financing of surpluses which made no economic sense.

If this cost could be reduced, then more money could be released for regional development. By the same token, Dr. Schulman rejected any idea of giving agricultural products of southern Europe the same sort of protection as enjoyed by those from the northern and central areas of the Community.

The consequences, he said, would be an increase in the CAP's share of the budget to 80 or 90 per cent, an even smaller portion of the total Community cake for regional policies and a possibly disastrous impact on the whole process of EEC integration.

Dr. Schulman's views were taken up by Sig. Pietro Sette, chairman of the state-run oil group, Ente Nazionale Idrocarburi (ENI), who urged a Europe-wide approach to the central issue of raising the prosperity of the Community's poorer regions.

Sig. Sette's answer was the creation of a finance company for European economic development, grouping the major publicly owned corporations of all nine member countries. The new body could operate under the aegis of the existing European regional funds.

The ENI chairman also outlined the nee dfor what he called an Italian common project to aid the Mezzogiorno, whereby public sector companies worked in harness with private and foreign interests to tackle the problems of unemployment and consequent political tension which bedevilled the region.

But Sig. Sette said that the near $10bn earmarked by state-owned Italian companies for investment in the South between 1978 and 1982 would only bear fruit if the powerful trade unions did their best to ensure smooth industrial relations and pay restraint.

Wage stability, he acknowledged, was a delicate issue. But Sig. Sette was confident that the advantages to be gained, and the alternative of continued high unemployment in the area would lead the unions to conclude that cooperation was not only realistic but desirable as well.

FINANCIAL TIMES

The Outlook for Italy

CONFERENCE

Sig. Giulio Andreotti, Italy's Prime Minister, wound up the conference by outlining the improvement in the economy, but warned against false optimism. Net foreign investment in 1977 rose to L631bn (£450m), from L77bn (£58m) the year before, but everything would be jeopardised if the three-year plan was not carried out, he said.

On the European monetary system negotiations, Sig. Andreotti said Italy would not be strong enough to bargain for the transfer of real resources unless it could deal with its domestic problems.

Sig. Giorgio Napolitano, of the Italian Communist Party, which now supports the present administration of the Christian Democrats, *underlined* that not only the Government but also the big unions were committed to give priority to increased investment and priority in the south.

Sig. Napolitano spoke realistically of the need to attract more foreign investment, which generally tended to be more profitable than its Italian counterpart, to the south. He gave a specific warning against any bias against projects put forward by multinational companies.

Sig. Cesare Romiti, managing director of Fiat, Italy's largest private concern, which for a long period attracted a huge flow of southern labour to the north, pointed out that his group had to bear in mind, in any investment plan for the south, the existing excess capacity at its plants in Turin.

Sig. Romiti emphasised the fundamental willingness of Fiat to invest in the Mezzogiorno pointing out that the group had already spent L3,000bn (£1.9bn) at 21 separate plants which provided 30,000 jobs. But he complained at the inefficient way in which existing incentives to attract industry operated.

Many speakers, including Prof. Gianni Zandano, INSUD's president, Dr. Belliawwi, managing director of Valtur Finanziaria, and Sig. Francesco Cosentino, of the CIGA hotel group, dwelt on *the need for a change* of approach to the region.

Instead of setting up vast single plants (the so-called "cathedrals in the desert") more should be done to encourage small and medium industries, agriculture, and tourism, whose appeal as a labor-intensive sector was repeatedly emphasised.

Sig. Cosentino said that the cost per new job created by Mezzogiorno tourist schemes, if spin-off benefits were taken into account, was only L40m (£25,000), a figure that public and private investment elsewhere could not match.

M. Gilbert Trigano, president of the Club Mediterranee Holiday group stressed the scope for new ventures in the south. But he appealed for greater incentives, including a lower rate of value-added tax, and selective concessions for off-peak transport rates.

Another member of the foreign investment community, Mr. William Drake, of Pennwalt Corp., said that the greatest single risk to the development of the area was continuing high inflation.

"If inflation in the Italian economy is not brought under control, and soon, it could so seriously jeopardise our ability to make a profit that we would no longer look favourably upon Italy as a country in which to invest," he said.

The harshest words, however, came from Sig. Claudio Signorile, deputy secretary of the Italian Socialist Party, who saw the failure of successive governments to improve the lot of the Mezzogiorno as an indictment of the way in which the country's public-sector administration operated.

"We are now in the absurd situation of having a potentially large flow of financial resources, but of being unable to help tackle unemployment in the South simply because there is no policy to use the money efficiently."

Unless this defect was put right, the Mezzogiorno would steadily drift further from the *European mainstream*. The problem was basically one of how state intervention in the economy should work. Sig. Signorile said that the big public-sector groups must not be political bargaining counters between the parties, or else their management would have more to do with bureaucracy than with normal business practice.

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Britain objects to £13,000 a year for its Euro-MPs

BY GUY DE JONQUIERES LUXEMBOURG, Oct. 17.

A PROPOSAL by leaders of the political parties represented in the European Parliament, which would award future directly-elected British Euro-MPs a basic salary of £13,000 a year, has run into strong opposition from the British Government.

Mr. Frank Judd, Minister of State, Foreign Office, made it clear after an EEC Foreign Ministers meeting here today that the Government cannot accept that British Euro-MPs should be paid significantly more than members of the House of Commons, whose salaries are at present £6,750 a year.

Salaries for directly-elected members of the European Parliament must be fixed at a level socially appropriate to the country which they represented and should be taxed at the rate prevailing in that country, he said.

The political bureau of the present Parliament, whose members are seconded from national legislatures, recently proposed a system under which Euro-MPs' salaries would be calculated on the basis of 40 per cent of the salary paid to an EEC Commissioner.

This amount would then be adjusted up or down to take account of differences between the cost of living in different EEC countries. The recommended salary would range from £12,800 for Irish Euro-MPs to more than £22,000 for the Danes, with British members earning £13,000.

The party leaders made no recommendation on methods of taxation or on the level of allowances.

Mr. Judd indicated today that the Government would be prepared to consider a common level of allowance being set for Euro-MPs from all EEC countries, provided there were strict controls to ensure that they were spent on purposes for which they were intended.

The report by the political leaders was submitted to the EEC Council of Ministers, apparently in response to a request for salary recommendations from the Parliament before the first direct elections are held.

Mr. Judd indicated that the Government does not consider proposals submitted only by the party leaders to be adequate, and that it expects the whole European Parliament to discuss the issue.

Portugal planning failure 'deters foreign investors'

BY JIMMY BURNS LISBON, Oct. 17.

THE LACK of a medium term industrial policy, coupled with a development plan is dissuading foreign investors from taking a more active role in the Portuguese economy, according to Dr. Alexandre Vas Pinto, director of the Foreign Investment Institute.

Speaking at an international bankers' seminar on the Portuguese economy organised by the Banco Portuguese do Atlantico, Portugal's leading commercial bank, Dr. Vas Pinto said last night that because of the lack of such a policy, certain foreign investors were turning instead to Ireland, Spain and, in some instances, to Britain.

Portugal's medium term economic policy due to be presented to parliament this month, was shelved following the collapse of the Socialist/Conservative government alliance in July and the ensuing government crisis.

...Dr. Vaz Pinto who, as director of the Foreign Investment Institute is in charge of screening all foreign investment in Portugal, said that Portugal today was characterised by the "incapacity to leave intentions behind and step into reality."

Dr. Vaz Pinto stressed that a number of major investments were presently being evalued by the Institute, but that a number of them were dependent on a more favourable political climat climate. Investments currently under negotiation represented Es 3.5bn (£39.1m) in fixed assets, 4,000 new jobs, and an average contribution of Es 7.5bn to the exchange balance.

The total value of investments authorised so far this year was Es 1.1bn: 25.5 per cent of this in the mechanical and electrical industries, 16.6 per cent in the chemical industry and 11.8 per cent in tourism.

Dr. Vaz Pinto noted two recent developments which he thought had contributed in a positive way to foreign investment in Portugal: the application of a coherent short-term economic policy as a result of the agreement with the International Monetary Fund in June, and the favourable response by the EEC to Portugal's application for membership.

Fresh Turkey-U.S. talks

BY METIN MUNIR ANKARA, Oct. 17.

TURKEY and the U.S. will open negotiations next month to remould their relations which entered a positive era following the repeal of the arms embargo, said the Foreign Minister, Prof. Gunduz Okcun, in an interview here.

"We would like to revitalise and develop our ties with the U.S." said Prof. Okcun. His impression from his talks with U.S. Secretary of State, Cyrus Vance, during his recent visit to New York was that "a similar political will" existed in the U.S. Administration. "There is no reason to be pessimistic."

Prof. Okcun said that there would be two series of talks both of which would be initially at the technical level.

An American delegation would arrive in Ankara to discuss a new defence co-operation agreement (DCA). A Turkish delegation would go to Washington to secure project financing from the Eximbank and similar American institutions. Both talks would start next month but definite dates had not yet been fixed.

Prof. Okcun added that Turkey had plans for what he called "joint defence production schemes," and would seek American capital, know-how and participation to develop its armaments industry.

The Foreign Minister said that his Government's approach to Turkish-American relations was different from those of previous Governments. According to this, Turkish-U.S. relations would not be limited to defence but would be treated in a wider context with emphasis on technical and economic co-operation. He said that defence could not be dissociated from economics, repeating an axiom recently coined by Prime Minister Bulent Ecevit in connection with the future of Turkish-American relations.

Prof. Okcun did not elaborate but hinted that his Government would try to maximise not only American military aid but also financial so as to strengthen Turkey's ailing economy.

Prof. Okcun would not say what amount of credit or aid his Government was contemplating.

THE NEW POPE AND THE KREMLIN

Major ideological challenge

BY ANTHONY ROBINSON, EAST EUROPE CORRESPONDENT

THE ELECTION of a Polish Pope is one of those unpredictable events which suddenly changes the view of future developments in the Communist part of the world. Following close behind that other dramatic shift in perspective caused by the Sino-Soviet rift and China's active search for closer relations with Japan and the West, it opens up a whole series of questions not only about the future course of events in the Catholic parts of Eastern Europe but also about the future development of the Soviet-dominated power structure as a whole.

It provides an ironical postscript to Stalin's attitude towards the question of Papal representation at the Yalta power conference which settled the main lines of the post-war division of the world. He dismissed the entire subject with the sardonic question: "How many divisions has the Pope?"

A third of a century later the Soviet Union has even more and infinitely better equipped divisions than it had at Yalta. It has achieved strategic parity with the U.S., created a powerful navy and extended its influence around its periphery and in new continents like Africa.

And yet in what was once termed in cold war jargon "the battle for hearts and minds" it is the Soviet Union with its aged and rigid leadership and ideological stagnation which is on the defensive. The election of a Polish Pope on the other hand has underlined the resilience of Catholicism as the alternative repository of a universal doctrine based on Christian rather than Marxist values and national traditions.

This is most obvious in Poland itself where all attempts to suppress the Church have failed and where a form of "historic compromise" has been evolved whereby the Communist Party and Government effectively administer public affairs but the Church itself is the most vital repository of national culture.

To a lesser degree a similar situation exists in neighbouring Hungary, another traditionally Catholic country. This was underlined earlier this year when Mr. Cyrus Vance, the U.S. Secretary of State, came to Budapest to hand back officially the thousand year old crown of St. Stephen. The ceremony took place in the Hungarian Parliament, which was ringed by police, and kept very much as an official occasion.

Next day however Cardinal Laszlo Lekai celebrated the return of the crown with a celebratory mass and Te Deum in a packed Budapest Cathedral. Similar masses took place throughout the country. In Hungary, as in Poland, the Catholic Church has arrived at a modus vivendi with the state following a period of outright opposition which characterised Cardinal Mindszenty's term of office.

The Polish Church however under Cardinal Stefan Wyszynski has been consistently more forthright in demanding the right and facilities to propagate the faith, build more churches and play its traditional social and cultural role. The whole thrust of Vatican policy towards Eastern Europe under the skilled diplomacy of Msgr Agostino Casiroli has been that of "making certain political concessions for pastoral gains." In effect this has allowed the Church to strengthen its own position within society while at the same time allowing it to act as a force for social stability which the Polish government in particular has been grateful for.

The Polish authorities have struck a note of cautious optimism in greeting the news of the election of the new Pope, writes Christopher Bobinski in Cracow. Mr. Kazimierz Kakol, the Minister for Religious Affairs, said yesterday that Poland's ruling Communists expect relations between Church and State to improve following the election. The party and Government leadership have also sent telegrams of congratulations to the new Pope. This suggests that the Polish authorities are hoping to start relations on a conciliatory note towards a churchman who was noted in Poland when he was Archbishop of Cracow for his outspoken defence of human rights and the rights of the Church in general. News of the election of a Pole as Pope was greeted by the population here with enthusiasm.

The Catholic Church in Czechoslovakia is strongest in the Slovak part of the country. But Czechoslovakia with its industrial and social democratic traditions is much more of a lay society than either Hungary or Poland. This is one of the underlying reasons why the strong desire for a less rigid regime expressed itself directly in a political form in the period leading up to and including the Prague Spring of 1968.

The Prague Spring was basically the last attempt to reform the system from within by Communists themselves. It was not allowed to succeed. Since then change has been limited essentially to piecemeal and pragmatic tinkering with the system in Eastern Europe, and virtually total immobility in the Soviet Union itself.

The results can be partly seen in the declining economic performance of the Soviet Union, due in large part also to the distortions caused by massive military spending, and the drastic decline in the Soviet Union's ideological and political attractiveness as either model or leader of the international Marxist movement.

At some stage in the not too distant future the Soviet Politburo will itself have to go into its own form of enclave and choose a new leader. As they ponder the latest events in Rome, and look around the present members of the Politburo, their ages, health and abilities, they might well be hoping for a little divine guidance themselves.

John Paul II—liberal on social issues, but traditional on theology

POPE JOHN PAUL II—the first non-Italian pope in four and a-half centuries—yesterday issued a preliminary policy statement implying that his papacy is likely to be marked by a liberal policy on social issues and a centrist and generally traditionalist approach on theological and doctrinal issues, Paul Betts reports from Rome.

Specifically, and with assigned prominence, he called for a re-affirmation of the policy emerging from the Second Vatican Council. In particular, he suggested no alteration in the increasingly controversial question of priestly celibacy or the church's traditional view on divorce and related family issues.

Alluding to the traditionalist doctrinal policies of the "rebel" French prelate, Archbishop Marcel Lefebvre, Pope John Paul said: "Fidelity . . . excludes arbitrary and uncontrolled innovation or the resistance to that which has been legitimately prescribed and introduced in the sacred rites."

In a reference to church-state relations throughout the Roman Catholic world—an issue on which the new pope must be particularly sensitive given the delicate relations between government and church in his own native Poland—the new pope insisted that the institutional church as such had no direct role in political life.

However, in a remark which is interpreted as applying particularly to the Communist world and Latin America, he emphasised the need to ensure fundamental human rights and freedoms for all citizens, thus appearing to endorse the "politically activist" involvement of many Roman Catholic missionaries.

Overall, and while explaining in his statement that he was not making any definitive declarations, the new pope was seen to reflect the fundamental philosophies of the papacy of Pope Paul VI in the areas of doctrinal, social and political-diplomatic affairs.

He also laid considerable stress on the need to advance the spirit of ecumenism with the other churches. "We intend," he said, "to proceed along the way already begun, by favouring those steps which serve to remove obstacles. Hopefully, then, thanks to a common effort, we might arrive finally at full communion."

Despite the uniqueness of his election as the first ever pope from a Communist country, the general trend of Pope John Paul II's initial statement and the preliminary analysis of Vatican observers suggests that there are unlikely to be early and dramatic overtures between the Vatican and the Communist world. The new papacy is likely to endorse and reaffirm the gradual "opening to the East," a dialogue between the church and the East European Communist countries launched unspectacularly some three years ago.

However, it is noted here in particular, that Sig. Giancarlo Pajetta on behalf of the Italian Communist Party had publicly welcomed Pope John Paul's accession saying he hoped it would stimulate the dialogue between the church and the Communists.

The consensus in the other lay Italian parties was that the election of Pope John Paul was likely to weaken the traditionally strong, if recently informal links between the Vatican and the long ruling Christian Democrat Party.

On the other hand, Pope John Paul II's essential lack of knowledge of and intimacy with the workings of the central government of a church with an estimated 700 million adherents around the world is thought likely to reaffirm the influence and authority of the Roman Curia.

W. German electrics decline

By Guy Hawtin

FRANKFURT, Oct. 17.

WEST GERMANY'S electrical machinery manufacturers are not expecting a sustained upturn in business this year. Although production of rotating machinery increased substantially in the first half of the year, the inflow of bookings for the industry's direct current and generating equipment makers has declined.

According to Herr Erich Wenzel, chairman of the electrical machinery section of the Central Association of the Electro-Technical Industry (ZVEI), output of rotating machinery in the opening six months of 1978 rose by a nominal 11 per cent to DM 2.4bn ($1.3bn) against the production performance in the first half of last year. But that, he said, was a result of individual export contracts for large machinery placed during last year's upturn.

In the direct current and generating equipment sector bookings were falling and a fall in business was expected. At the same time demand for high voltage equipment had been hit by cutback of capital investment.

Added to manufacturers' other difficulties, it now seemed that relatively good perfomance in the small motor sector was tailing off. The third quarter's returns indicated that there had been a marked weakening of demand, stemming primarily from the dampening of business in the consumer goods branch.

Last year things were rather better although there was no real increase in volume production. However, the industry's output in value rose by a nonimal 2.1 per cent to DM 4.4bn ($2.39bn).

Moscow pressure on Romania

BY PAUL LENDVAI VIENNA, Oct. 17.

THE SOVIET leadership is exerting growing pressures on Romania in a bid to intensify military and political co-ordination within the Warsaw Pact. According to East European observers, the visit of a high level Soviet delegation led by Mr. Andrei Gromyko, Foreign Minister, to Bucharest was part of the preparations for a projected Warsaw Pact summit meeting which is now rumoured to take place in Moscow before the end of the year. This was the first high-level contact between Bucharest and Moscow since the visit of Chairman Hua Kuo-Feng to Romania last August. Subsequently Soviet criticism of the visit was politely but firmly rejected by the Romanians.

Mr. Gromyko, accompanied by two top Soviet Party officials in charge of relations with "fraternal parties," Central Committee secretaries Mr. Boris Ponomarev and Mr. Konstantin Rusakov, conducted negotiations with a Romanian delegation headed by Deputy Premier Paul Niculescu and including Foreign Minister Stefan Andrei. The Soviet delegation was also received by President Nicolae Ceausescu.

The communique published on Sunday after the departure of the Soviet delegation spoke only about a "sincere and comradely working atmosphere" without making any reference to an agreement, let alone an identity of views. In addition to taking an independent line in the Sino-Soviet dispute, President Ceausescu was the only East Bloc leader to publicly support President Sadat's peace initiative last autumn and to refrain from attacks against the Camp David agreements.

The communique explicitly referred to "a wide range of problems" concerning relations between the two countries and their parties, which were discussed along with current issues of the international situation and the world communist movement.

Diplomats in Bucharest also speculate about the meaning of a cryptic reference to the "determination of Romania and the Soviet Union to work together with other Warsaw Pact countries to increase their contribution to the cause of detente and security in Europe."

Meanwhile Romanian Deputy Premier and Minister of Foreign Trade Mr. Cornel Burtica is understood to have discussed problems connected with Soviet-Romanian economic cooperation and trade exchanges during his recent stay in Moscow. Romanian officials in the past frequently complained about the late deliveries of Soviet raw materials.

OVERSEAS NEWS

Lebanon crisis meeting calls for disbanding of all militia groups

BY IHSAN HIJAZI

BEIRUT, Oct. 17.

FOREIGN MINISTERS and officials from six Arab countries and Lebanon today called for strengthening the central authority of President Elias Sarkis and disbanding all militias as part of measures to end the four-year-old Lebanese crisis.

Officials from Saudi Arabia, Kuwait, Syria, the United Arab Emirates, Qatar and the Sudan declared that those co-operating with Israel must be prosecuted.

The resolutions came in an eight point declaration at the end of three days of talks at the mountain resort of Beiteddin, some 20 miles south of here.

Informed sources said the declaration inferred extension of the mandate of the Arab peace keeping force which is due to expire on October 26. It made no direct mention of new security measures expected to be applied to strengthen the 10-day-old cease-fire between Syrian troops and Christian militias.

Meanwhile President Sarkis sent Mr. Salah Salman, his Interior Minister, to Khartoum to urge President Jaafar Numeiry to reconsider his decision to withdraw the Sudanese battalion serving with the Arab peace-keeping force in Lebanon, Beirut Radio reported.

The move indirectly confirmed reports here that the Foreign Ministers would endorse a security plan in which Saudi and Sudanese troops of the Arab force will play a bigger role.

Informed sources said the projected security plan provides for deployment of Saudi and Sudanese forces in Christian areas in place of Syrian troops, which will be withdrawn in two stages from Beirut.

David Lennon adds from Tel Aviv: Following yesterday's rally in Bethlehem of West Bank Palestinian leaders it now seems highly unlikely that Mr. Harold Saunders, U.S. Assistant Secretary of State, will find any representative West Bank leaders willing to meet with him when he arrives here on Friday.

Speakers at the meeting condemned the Camp David autonomy proposals for the West Bank.

Mr. Saunders is touring the Middle East to try to generate support for the Camp David framework agreement.

Egypt ready to sign Sinai oil deal

CAIRO, Oct. 17.

AN OIL CONCESSION agreement is expected to be signed next week by Egypt and a U.S. company for prospecting in an area of the Sinai peninsula, which is still under Israeli occupation.

Announcing the move today, the official Middle East News Agency did not name the U.S. company involved but said its agreement with the Egyptian General Petroleum Organisation would cover 500 square miles in Al-Tur area in southern Sinai overlooking the Gulf of Suez.

Under the Camp David accords last month, the area in which Al-Tur lies will be affected by the first Israeli withdrawal to be completed next year.

The news agency said that the U.S. company will undertake to spend $50m on prospecting over nine years—the duration of the agreement—in addition to making a $5m signatory grant to Egypt.

Meanwhile, the death is announced of Sheikh Abdel Halim Mahmoud.

He was spiritual leader of Al-Azhar mosque in Cairo.

Mahmoud, who was 68, supported President Sadat's peace initiative with Israel but was insistent that east Jerusalem should be returned to Arab control.

Agencies

Japanese warning about EMS

BY OUR OWN CORRESPONDENT

TOKYO, Oct. 17.

MR. MICHIYA MATSUKAWA, adviser to the Minister of Finance, today questioned whether the still to be finalised European Monetary System (EMS) will be "hostile" or "supplemental" to the present monetary order, based on the International Monetary Fund (IMF). He felt, however, Europeans would show the wisdom of choosing a supplemental role.

It remains to be seen whether the European countries can produce among their own diverse economies a "key" currency, Mr. Matsukawa told foreign correspondents in Tokyo. But regardless of how good the monetary system is it will continue to float against third currencies like the dollar and yen, he said.

He predicted it will be an extremely difficult task to create harmony among the European currencies involved because of varying rates of inflation and other individual political factors. Mr. Matsukawa, until recently Vice-Minister for International Affairs, indicated that Japan would consult European countries on features of a new system which it feels will lead to monetary instability.

On other monetary matters, Mr. Matsukawa said the present currency market is "still extremely unstable" but that the instability is largely the result of psychological factors in a market which chooses to ignore an improving trend in world balance of payments and trade.

He said the key to the future of world economic development and monetary stability was whether the U.S. slips into "vicious inflation" and suffers a rapid slowdown in its own 43-month old recovery.

Mr. Matsukawa cautioned Europeans who believe that a higher rate of economic growth in Japan should lead to any quick increase in European imports to Japan. A better Japanese performance will benefit the much closer nations of southeast Asia, he said.

Zia-Bhutto struggle gains pace

BY CHRISTOPHER SHERWELL

ISLAMABAD, Oct. 17.

GENERAL ZIA-UL-HAQ'S military Government has imposed further severe restraints on political parties in Pakistan with the announcement last night of two orders which provide for the banning of parties whose ideology is "un-Islamic." Although the precise meaning of this term remains undefined, it is thought that the orders could affect any party which fails specifically to embrace Islam. It is unclear, however, whether the orders are specifically directed at the Pakistan People's Party of the former Prime Minister Mr. Bhutto.

Parties may also be banned if they act in a way prejudicial to Pakistan's integrity and security, if they undermine public order and morality, or if they are foreign-aided.

The Government regards the orders as assuring people's fundamental rights in advance of any election next year by specifying the conditions under which they can associate.

They come at a time when the Military Government has moved quickly to head off any possible threat of trouble from Mr. Bhutto's supporters. The Pakistan Supreme Court is now expected to retire next month to consider its opinion on the appeal against his death sentence.

Signs of what might be in store first emerged four weeks ago when people began deliberately infringing martial law regulations by chanting slogans in support of Mr. Bhutto.

Following the incidents, the government cracked down by arresting senior PPP officials and rounding up district and local leaders.

Estimates of the number now held range from several hundred to a couple of thousand.

Engines loan for Zambia

By Michael Holman

LUSAKA, Oct. 17.

SOUTH AFRICA is to loan Zambia four locomotives in an effort to ensure that fertiliser imported through the country's southern route reaches maize farmers before the summer rains, it was announced here today.

Although over a week has passed since President Kaunda reopened the route to bring in fertiliser, lubricating oils, machinery and other goods, as well as to carry copper exports, little if any traffic has moved on the Zambian side of the border.

Shipbuilders look to nuclear fleet

BY OUR OWN CORRESPONDENT

TOKYO, Oct. 17.

A RATHER noisy drama in a corner of South West Japan could have decisive significance for Japan's shipbuilding industry.

Japan's first and only nuclear-powered ship, the 10,400-ton Mutsu, arrived at the dockyard of Sasebo Heavy Industries (SSK) in Kyushu for repairs which are expected to take three years and cost Y5.4bn ($29m). The controversial ship was greeted by thousands of demonstrators on land and sea, who were restrained by almost as many thousands of riot police.

Opposition to Mutsu from fishermen, local residents, anti-nuclear groups, environmentalists and radicals has been intense for most of this decade. Emotions reached a peak when the Mutsu began leaking radiation during its maiden voyage in September 1974. The Government, however, has pressed on doggedly, under pressure from the competition in the U.S., West Germany, France and Britain, all of whose nuclear ship programmes are well ahead.

The Mutsu cost Y7.3bn to build and was completed in 1972 at the Tokyo dockyard of Ishikawajima-Harima Heavy Industries (IHI). Its nuclear reactor was supplied by a Mitsubishi Group company. Today, the ship would cost Y50bn to build. Current (and heavily revised) plans call for the final completion of a safe and workable version of the Mutsu by 1987—some 16 years behind schedule. Plans to build a second ship have been debated.

Japanese planners hope the experience of making the Mutsu work will more than compensate for Japan's lag in nuclear ship theory. With this experience, Japan would then enter world markets with reliable, low-cost nuclear ship.. These would be built in lots of five or six at first and then by the tens if world demand and such other factors as the cost of oil justified the effort.

Repairing the Mutsu has been a boon for SSK, which once produced some of the largest tankers in the world.

TAIWAN-CHINA

A slight softening among hardliners

BY MELINDA LIU, RECENTLY IN TAIPEI

CHINA'S RECENT conciliatory gestures towards Taiwan created a flurry of excitement among western diplomatic observers and prompted Taipei's reiteration of its stubborn no-negotiation policy. Taiwan's unchanging official line was most dramatically expressed by Kuomintang party Chairman Chiang Ching-kuo in 1976: "We shall have nothing to do with the leader of the Peking regime, except for battlefield contact in the shape of a bullet."

Although the pragmatic trend in Peking seems to favour a peaceful negotiated settlement of the 29-year-old Taiwan issue, China's official attitude has not really changed either. Peking maintains it will liberate Taiwan in a manner which brooks no foreign intervention. Chinese officials pointedly refuse to eschew the possibility of using force to reach this goal. The official Peking Press, meanwhile, continues to carry barbed attacks against Chiang Ching-kuo, often couched in hostile terms which would seem to sabotage the possibility of bilateral talks.

Nevertheless, the process of lessening tensions between the two sides has already begun. The most likely scenario for resolving the China-Taiwan stalemate involves gradual expansion of casual contacts, evolving eventually into official communication. According to the Chinese sense of time, this could take decades.

CHINA, LAYING down fresh accounting procedure regulations for state enterprises, has warned that past mismanagement of accounts had opened the door for "graft, theft and speculation." Reuters reports from Peking.

Quoting from the new regulations, the official people's daily newspaper said to-day "accounting personnel have the right to demand that departments and personnel concerned must seriously carry out the plan and budget approved by the state, and abide by financial and economic disciplines and accounting regulations."

Of particular note was Peking's unprecedented willingness in August to send representatives to a physics conference in Tokyo where scientists from Taiwan were also present. The meeting followed high-level discussions in the foreign ministries of both Taipei and Peking, and ended China's 29-year-old policy of boycotting international conferences and sports meetings attended by Taiwan delegates. Recently, Peking also granted permission for Thai International Airlines to fly to both China and Taiwan, reversing Peking's previous policy.

China's accelerating pursuit of commercial and educational contacts with Japan and the West will multiply the probability of informal encounters between residents from both sides, particularly individual confrontations in third-party countries. This will be especially true as Peking follows through its plan to send thousands of students overseas, particularly to the U.S., which is also a prime goal for students from Taiwan.

Taipei's hard-line attitude caused some observers to speculate whether Taiwan would try to avoid such contacts at all costs. But the Taiwan government has become more pragmatic since its 1972 expulsion from the United Nations and the subsequent diplomatic migration from Taipei to Peking. A local Taipei newspaper suggested a more flexible approach: "We should not treat the Communist Chinese students as snakes and scorpions and cut off contacts with them. On the contrary, we should use initiatives to persuade them, convince them and win them over."

In addition, commercial exchange between China and Taiwan — albeit indirect—not only exists but increases yearly. The overt import of Chinese products is prohibited in Taiwan. But a growing amount of mainland goods reaches Taiwan after being "laundered" through Hong Kong, where labels of origin are removed. According to official Hong Kong statistics, between January and May of this year the value of traceable Chinese re-exports to Taiwan via the British Territory totalled HK$76.5m, compared with HK$49.3m for the corresponding 1977 period. A significant amount is also smuggled by sea and air into Taiwan. And so far this year China's imports from Taiwan via Hong Kong reached HK$154,000. Recently a Peking representative in Hong Kong encouraged the colony's pro-China businessmen to increase their re-exports of mainland goods to Taiwan.

The representative was Chi Feng, deputy director of the official New China News Agency which functions as Peking's closest embassy in Hong Kong. Local Hong Kong newspapers also quoted Chi as saying the use of force was "the last resort to be actively avoided" in the eventual reunification of Taiwan and China. Chi reportedly suggested the process would involve trade and cultural contacts, mail exchange and mutual visits by government representatives.

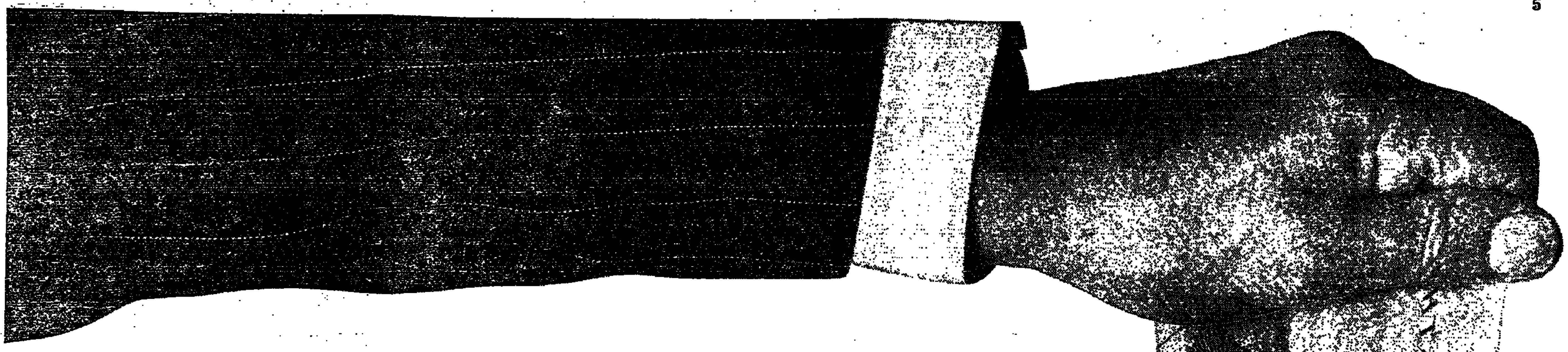
Some Taipei citizens also privately advocate this dovish approach. But the Taiwan Government is well aware that a perceived Taipei tilt towards peaceful talks with Peking is likely to accelerate U.S. moves to transfer the American Embassy from Taipei to Peking.

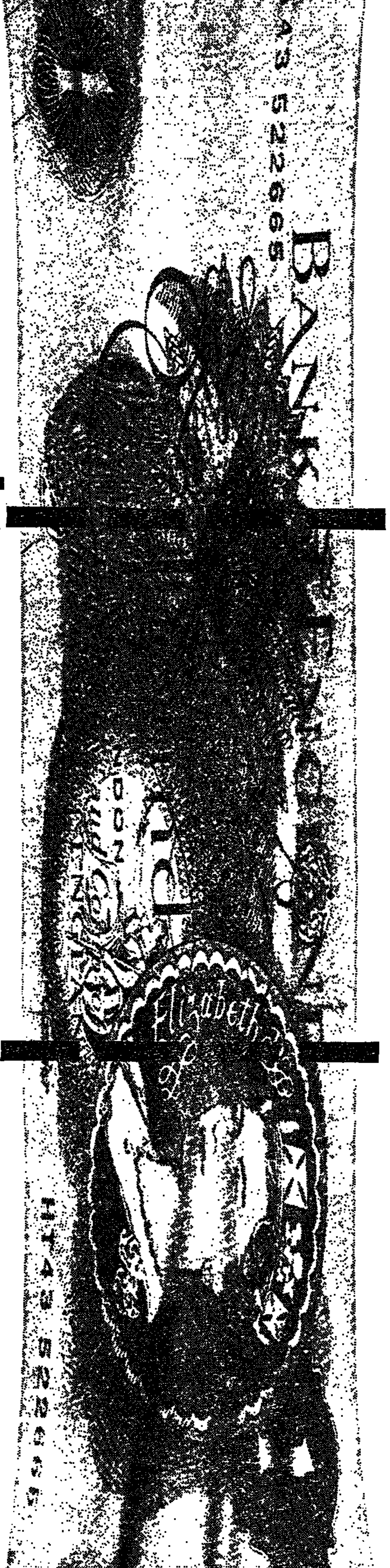
At present U.S. concern for Taiwan's security in light of Peking's refusal to eliminate the possible use of force against Taiwan—is the major stumbling block to complete normalisation of Sino-U.S. relations. Hoping to delay U.S. derecognition as long as possible, Taiwan officials studiously avoid any action which might be seen as a deviation from their adamant no-negotiation stance.

A more realistic perspective for this policy is evident, however, in the several instances of past low-profiles arrangements between the two sides, such as mutually observed airspace guidelines. They only need look to the offshore island chain of Quemoy, 1.4 miles from Communist territory (and 200 miles from Taiwan) but occupied by the Taiwan military. Here in 1958 both sides entered into a peculiar alternate-day artillery shelling agreement, ostensibly to allow the civilians on both sides to go about their farmwork in peace every other day.

China is neither physically nor psychologically prepared to militarily invade Taiwan. Peking representatives in Hong Kong have gone so far as to suggest Taiwan's current autonomous existence could continue for decades even after official contacts evolved.

Taiwan residents who openly advocate Taipei-Peking contacts invite swift and draconian treatment as Communist spies under Taiwan's martial law. But the normally docile Taiwan Press is nonetheless not totally devoid of an occasional daring deviation from the Kuomingtang party line. Last year a mass-circulation Taipei magazine — subsequently banned for its indiscretion—published an article saying "Taiwan has no oil. The Chinese mainland has oil. There should be a way to exchange between the haves and the have-nots."

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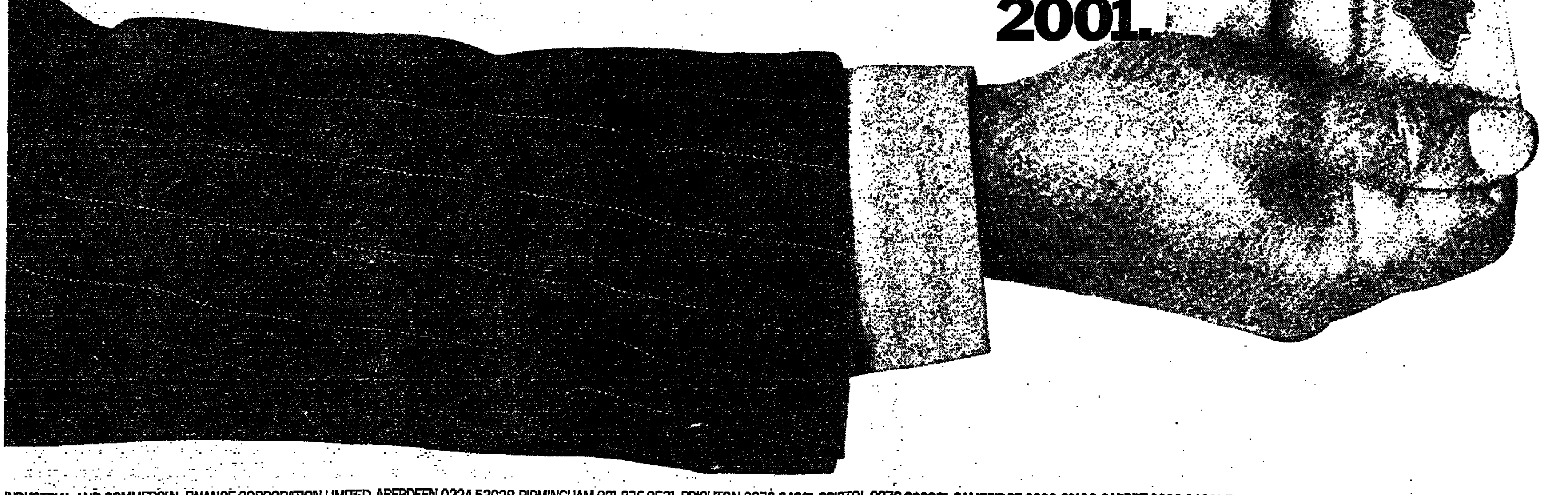


CANADIAN BY-ELECTIONS

Voters deal heavy blow to Trudeau's party

BY ROBERT GIBBENS IN MONTREAL

THE ELECTORATE of English-speaking Canada dealt a heavy blow to Mr. Pierre Elliott Trudeau's Liberals in 15 by-elections *held on Monday.* The party must now face the real possibility that it will be beaten by the Progressive Conservatives in the general election to be held by next July.

It is generally agreed that that election will be lost and won in Ontario, the most populous Canadian Province. The Liberals did especially badly there on Monday. Of the seven Ontario constituencies that voted on Monday, none returned a Liberal. Five returned Liberal members at the last general election.

The main campaign issue has been Mr. Trudeau's management of the economy. The decline of the Canadian dollar from above par with the U.S. currency less than three years ago to below 85 U.S. cents now gave the Tories, under their young leader, Mr. Joe Clark, plenty to criticise. Earlier this year, Mr. Trudeau sensed that this issue was going to overshadow the other big question, that of national unity and the future of Quebec. After the Bonn summit, he initiated several medium-term budget economies, presenting himself as a man converted to conservative beliefs.

The message was carried into the Ontario ridings before the by-elections, and was also designed to respond to the more conservative mood across the country. The Government tightened up unemployment insurance, reducing benefits from two-thirds of basic salary to 60 per cent, and toughening conditions for new claimants. It also announced spending cuts of C$2.5bn to C$3bn in the next 18 months, to reduce the federal budget deficit, and announced more cuts in the federal civil service.

Mr. Clark came back with a promise to make mortgage interest deductible from home-

Mr. JOE CLARK

owners' income tax (something traditionally done in Britain, but not in Canada). This proved attractive to middle-class voters in Ontario. They feel that they have been squeezed financially by Liberal economic policies.

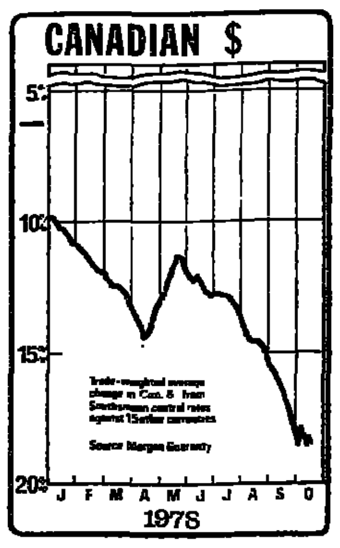
Other problems for the Liberals included a rate of inflation rising to neary 10 per cent in the big cities, after a period of wage and profit controls of doubtful efficacy. The unemployment rate is stuck at about 8.5 per cent, despite a good record of job creation. The un*employment* rate in Newfoundland is about 17 per cent, which helped the election of the New Democratic Party in Humber-St. George, formerly a Tory seat.

Mr. Trudeau's leadership must now be seriously questioned again in the Liberal party, although he says he will continue because too much cannot be deduced from the by-elections. Although speculation is increasing about the possibility of his resigning, and a new leader taking over, the Liberals may feel that this might not help their cause. There does not now seem any credible alternative to the former Justice and Finance Minister, Mr. John Turner, but there is very little time available for the full process of finding a new leader before the spring general election.

Many observers believe Mr. Trudeau will in fact stay on and lead the Liberals into the spring election. He can perform with brilliance when the odds are heavy against him, and he made a dazzling speech, with all the old fire, in the Commons last week.

The Liberal defeats appear to show that not only has Mr. Trudeau so far failed to persuade English speakers that he is the man to put the economy right: they also seem to have disbelieved, or at least ignored, his claim to being the man who can keep Quebec in confederation. That was a claim which worked in the months after November, 1975, when Mr. Rene Levesque's Parti Quebecois was returned to power in Quebec. At one time the tactics worked so well that, judging by public opinion polls in 1977, he could have won easily if he had called an election. But the mood did not last.

Monday's results show how deep the political gulf has become between the English and the French-speaking provinces.



Whereas no Liberal won outside Quebec, in Quebec itself, as the result of a concentrated effort, a Liberal actually snatched the constituency of Ste. Hyacinthe from the Progressive Conservatives.

Looked at another way, the Liberals have failed to succeed with their policies in the English-speaking areas of Canada, and the Conservatives have failed, at least so far, to make break through in Quebec. The Liberals seem to be heading for defeat in the general election, and their popularity in Quebec cannot change that.

The Conservatives, if they are really to form the next Federal Government, will have minimum representation in Quebec unless, by some miracle, they can build up support by next spring.

Unless both parties can resolve the impasse, the situation is ripe for exploitation by Mr. Levesque and his separatists, who for years have been arguing that Quebec does not have a sufficient say in the present federal system.

The Conservative approach has been that the Federal Government should negotiate greater autonomy in certain areas for the provinces, to make a "new confederation." The Liberals say that the separatist forces must be contained while more limited changes are made to the constitution.

There is good reason to doubt whether the electorate at large has become very interested in the constitutional niceties. The economy was probably the overwhelming issue for most. There is also a distinct trend in the country to vote against the Government. The Liberal Government of Nova Scotia was the latest victim.

Later this week Saskatchewan will get an opportunity to add to the pattern. There Mr. Allan Blakeney's Government of the New Democratic Party, which practices a mild form of socialism, is, also thought in danger of falling to the Progressive Conservatives despite a uranium-based local boom.

U.S. output rises in September

By Jurek Martin

WASHINGTON, Oct. 17.

INDUSTRIAL PRODUCTION in the U.S. rose by an estimated 0.5 per cent last month, the same rate as in August and close to the average for the previous five months.

This denotes that the economy is still expanding at a reasonable rate, though a clear pattern has emerged showing that output of business equipment and construction materials is moving ahead more rapidly than that of consumer durables.

In September, for example, business equipment production went up by 0.6 per cent (a smaller increase than in previous months). Consumer goods, as a whole, only rose by 0.1 per cent, while consumer durables fell by 0.7 per cent.

This was largely because car assemblies dropped to an annual rate of 8.9m units, from the 9.4m units of August.

Fiji, Costa Rica telephone links

TELEPHONE CALLS to Costa Rica and Fiji from the UK can now be made by direct dialling, bringing to 78 the number of countries on the direct link. The standard charges will be £1.05 a minute.

U.S. COMPANY NEWS
Recovery continues at Chase Manhattan; Acquisitions boost Philip Morris; Substantial increase for Republic Steel, Page 34.

Egypt and Israel move rapidly towards a treaty

BY JUREK MARTIN

WASHINGTON, Oct. 17.

PEACE TALKS between Egypt and Israel appear to be moving towards a rapid and successful conclusion.

The two Defence Ministers, Lt. Gen. Kamal Hassan Ali of Egypt and Mr. Ezer Weizman of Israel, said on television that they thought essential agreement could be reached by tomorrow.

This could enable the Israeli Cabinet formally to approve the treaty as early as next Sunday, and for the two delegations to initial the agreement soon after.

The White House announced today that President Carter would see both Defence Ministers later today, which may be taken as further confirmation that few obstacles remain.

The two sides have been work*ing in formal and informal* sessions from an American draft treaty, put on the table last Friday.

Although a thoretical news blackout is in effect, the U.S. official reporting on the talks has confirmed that the differences have appreciably narrowed in the past two days. Most of the work has been done by legal experts polishing the final draft.

The U.S. official has emphasised that there is no "legal link" between the Egyptian-Israeli treaty and agreement on a new régime for the West Bank and the Gaza Strip, although, as President Carter pointed out at his Press conference last week, the two are clearly interrelated.

There have been discussions here "on the side" about the West Bank and Gaza Strip and, of course, it remains likely that the final treaty between Israel and Egypt will not be put into effect until there is evidence of progress in solving that far more contentious problem.

In fact, the Camp David accords spelled out with some precision the main areas of the bilateral treaty, leaving the negotiators to work on the timing of such items as the Israeli withdrawal from Sinai.

Keeping pressure on the Teamster chief

BY JOHN WYLES

NEW YORK, Oct. 17.

THE International Brotherhood of Teamsters has long been the largest and most controversial *organisation in the U.S. labour* movement. It has been a target for political investigation since the late 1950s when Robert Kennedy tried to expose links with organised crime, and the Carter Administration is now launching its own attack on some of the union's most traditional practices.

Mr. Ray Marshall, the Labour Secretary, yesterday filed suit in a federal district court in Chicago to prevent the Teamsters' Central States Health and Welfare Fund from renewing a contract first established in the early 1950s with an insurance brokerage run by Mr. Allen Dorfman, a Chicago businessman.

One of the most important aspects of the suit is that it maintains pressure on the Teamsters' president, Mr. Frank Fitzsimmons. Mr. Fitzsimmons assumed leadership of the union when its then president, Mr. James Hoffa, was sent to prison in 1967. After regaining his freedom in 1973, Mr. Hoffa appeared to be preparing for a leadership challenge which was forestalled by his disappearance in July, 1975.

Mr. Fitzsimmons, who was a regular visitor to the Nixon White House, but to whom no welcome has been offered by this Administration, could play a

> If phase two of the anti-inflation programme is to have any chance of success it must secure a modest pay settlement for the teamsters.

pivotal role in economic developments next year. He will start negotiating in December on a new master freight agreement for about 500,000 lorry drivers. If phase two of the Carter *Administration's anti-inflation* programme is to have any chance of success it must secure a modest pay settlement between the Teamsters and the road transport industry.

But Mr. Fitzsimmons, who is 70, is already extremely upset by the buffetings he has received at the hands of Mr. Marshall's Labour Department. In spring last year he resigned as a trustee of the Teamster's Central States Pension Fund. The fund has assets of $1.4bn and its administrations and investment policy has long been the object of doubt.

Mr. Fitzsimmons was warned that the Department would use its powers under the Employee Retirement Income Security Act to impose its own Board of trustees because, it alleged, it had proof that the present incumbents were guilty of fiduciary irresponsibility. On June 30 last year control of the fund's assets was placed in the hands of the Equitable Life Assurance Society.

According to a recent book, "The Teamsters," by Steven Brill, Mr. Allen Dorfman had had managed to make a considerable fortune out of organising loans. In 1972, Mr. Dorfman served 10 months of a 12-month sentence for receiving a payment of $55,000 for organising a $1.5m loan to a business man who had already borrowed more than $15m from the fund since 1983.

However, Mr. Dorfman does not feature in the case brought by the Labour Department in February this year against trustees of the fund over the last three years and charging them with failure to exercise fiduciary *responsibilities in making* 15 different loans including $30m to a subsidiary of the Hyatt Corporation and $25m to Las Vegas interests.

Although technically separate, the central states health and welfare fund is administered by the same trustees and the Labour Department has acted because it learned that the trustees intended this week to extend the contract with Mr. Dorfman's company for another three years.

The department's suit seeks an injunction to prevent this and alleges that the trustees violated their fiduciary responsibilities by contracting with Amalgamated Insurance for services in a manner that violated the law's "normal standards of prudence."

The fund covers more than 200,000 Teamster members in 11 states. It collected $23m in contributions last year and distributed $193m in benefits.

The congressional committee investigations, in which Robert Kennedy starred in 1959, heard claims that Dorfman's company had received $3m in commissions and fees from the fund between 1950 and 1958 of which $1.65m had been excessive by the standards set by the National Association of Insurance Commissioners.

Car prices up

DETROIT, Oct. 17.

CHRYSLER CORPORATION is raising the prices of the Japanese-built Dodge and Plymouth sub-compact cars it sells. Some optional equipment will also cost more.

The increase averages $114, or 2.4 per cent, while average options will go up by $30, or 4.9 per cent.

The two most expensive models, the Plymouth Sapporo and the Dodge Challenger, are to be priced at $6,166 and $6,167. At the low end of the market, the Dodge Colt coupe's price went up to $3,813.

The cars are made by Mitsubishi Motors, in which Chrysler has a 15 per cent interest.

Pennine path goes 50 miles

THE 50 MILES Calderdale Way—to be opened on Saturday by Lord Winstanley, Chairman of the Countryside Commission—is the longest recreation footpath to be created with the commission's help.

It is a circular walk, in Pennine country, around and to the west of Halifax, devised by local civic societies and amenity groups and established with support from West Yorkshire Metropolitan County Council and the Metropolitan Borough of Calderdale.

Countryside Commission grant aid has paid half the salaries and other expenses — including materials costs—of two footpaths officers employed by West Yorkshire. The way is linked to other existing rights of way and to bus *services so that short sections* can be walked without the need to double back. Other linking paths are still to be developed.

Carter may act on UN budget

PRESIDENT CARTER might persuade the U.S. Congress to reverse an amendment which reduces the U.S. contribution to the regular UN budget, American officials said.

The officials said Mr. Carter could present the amendment for reconsideration in January. Mr. Carter has said the congressional vote made it difficult for the United States to oppose similar Soviet action.

The amendment cuts $27m from the regular UN budget and prohibits American donations to the technical aid programmes of the UN and its 12 specialised agencies.

Reuter

WORLD TRADE NEWS

British export performance in W. Germany falters

BY GUY HAWTIN

FRANKFURT, Oct. 17.

BRITISH EXPORTS to West Germany during the first eight months of the year grew at a slower rate than those of West Germany to to the UK. This is a reversal of the trend over the past two-and-a-half years but it may be explained by the fact that the summer months are always slow for British exports.

British exports to the federal republic totalled DM 7.7bn ($4.18bn) in the opening eight months of the year—an increase of 16.1 per cent on the previous year's performance. In contrast, German sales to the UK rose by 17 per cent to DM 10.76bn.

Even more distressing for British trade officials, perhaps, is the fact that non-oil exports grew by only 12 per cent from DM 6.11bn to DM 6.63bn during the period under review. This is of particular concern as sales of North Sea oil in the Federal Republic have been inflating British export figures to West Germany considerably for the past 18 months.

During the first eight months of the year Britain's share of the West German market has gone up from the 4.3 per cent recorded in the comparable period of 1977 to 4.9 per cent. However, West Germany's share of the UK imports market has risen from 5.2 per cent to 5.9 per cent during the same period.

These figures, abstracted by British Embassy trade staff from statistics produced by the Federal Statistical Office in Wiesbaden, are only provisional. Changes may become apparent when the complete breakdowns are published in a month's time.

The first seven months' figures—which provide a complete breakdown of British exports—show that during this period total UK exports to the Federal Republic expanded by 18.1 per cent from DM 5.72bn to DM 6.75bn. At the same time Britain's share of the West German imports market rose from 4.2 per cent to 4.8 per cent.

They also show that British exports of North Sea oil have been taking a larger and larger share of the German Petroleum market. During the first seven months they increased from DM 427m to DM 747.5m — and this at a time when the D-mark was increasing sharply against the dollar in which oil prices are calculated.

● Babcock Bau, the German Babcock Construction subsidiary, has been awarded a $233.7m contract to construct five hospitals in Libya. Contracts for the turnkey projects were placed by the Libyan Secretariat of Health.

The five hospitals will be constructed on five different sites, including two in desert oases 600 kilometres away from the capital Tripoli. The hospitals will have a 135 bed capacity and the contracts also cover the complete technical and medical equipment of the installations, as well as accommodation for the medical and nursing staff.

The planning for the five projects will be undertaken by ICO Pape of Hamburg.

Magirus extends range

BY KENNETH GOODING

MAGIRUS DEUTZ, part of the pan-European Iveco group, is launching four new trucks on the UK market and is aiming for total sales of 1,500 units next year in Britain.

Magirus, a West German concern, first entered the UK market for on-road trucks only in 1974 although it had been selling its on-off road dump trucks in Britain for some time before that. By the end of September this year it had sold 610 units, nearly double the total sold in the same nine months of 1977, and is aiming to sell 1,000 units by the end of 1978.

The new-to-the-UK models are a 16-tonner, which made its debut at the Paris Motor Show recently, two new tractor units plus a six-wheeler. With these newcomers, Magirus has a range from 5.7 tonnes to 50-ton tractor units at prices from £6,000 to £40,000 in the UK.

The rapid build-up and increased penetration in Britain reflects to some extent Magirus' involvement with Iveco, which links Fiat of Italy, Unic of France and Magirus via a holding company which is 60 per cent controlled by Fiat.

Whereas Fiat supplies trucks with water-cooled engines Magirus's range incorporates air-cooled engines from Kloeckner-Humbolt-Deutz, the German concern which owns the rest of Iveco's shares.

Threat to chemicals

By Sue Cameron

THE WEST European chemicals industry will come under growing pressure from its East European and U.S. competitors during the next few years, Sir Raymond Pennock, deputy chairman of Imperial Chemical Industries, told the Society of Chemical Industry conference at Aix-en-Provence.

Sir Raymond said the increasing strength of this outside competition could already be seen in the "massive" chemicals investment programme in Eastern Europe which was based on buy-back deals with the West. He estimated that these deals would increase Comecon countries' share of world chemical trade from the current 22 per cent to 28 per cent by 1985.

Mexican oil for Japan

BY WILLIAM CHISLETT

MEXICO CITY, Oct. 17.

THE FIRST shipment of 300,000 barrels of Mexican crude oil has left for Japan, as part of an agreement which could lead to the establishment of a regular trade in oil with Japan. The shipment was worth $4bn.

Petroleos Mexianos (Pemex), the state-owned oil monopoly, already sells oil to the U.S., Israel and Spain and is interested in diversifying its market as much as possible.

The Mexican president, Sr. Jose Lopez Portillo, will make an official vist to Japan and China beginning next week and one of the main topics of discussion in Tokyo will be the sale of crude. Japan is potentially a very rich market for Mexico as it has to import virtually all its oil needs.

Japan is interested in selling its technology to Mexico particularly in the field of Petrochemicals.

● Last week Pemex signed a tentative agreement in France to sell 50,000 b/d of crude beginning in 1980. Pemex's exports of crude this year have more than doubled from last year and are running at an average of about 500,000.

● Venezuela and West Germany have signed agreements for joint study of the production and processing of heavy crude oil and of Venezuela's nuclear energy potential.

Venezuela has estimated reserves of 700bn barrels of heavy crudes in the Orinoco basin. Ten per cent of the total can be extracted with existing technology. Reuter

Dealers ask Datsun to lift quota on cars

By Charles Smith

TOKYO, Oct. 17.

A GROUP of 30 Datsun car dealers from the UK has arrived in Japan to demand the "reinstatement" of car shipments planned for October and November by Nissan Motor but now cut back under pressure from the British Government.

The leader of the group, Mr. Peter Fletcher, told the Financial Times that a strong protest about the cuts had been lodged with the Ministry of International Trade and Industry (which has been dealing with the British Government on the car issue).

A second meeting with MITI is planned for Thursday when he says "the indications are that we may get a favourable response."

The Datsun Dealers Association, of which Mr. Fletcher is chairman, consists of 450 family-owned companies throughout the UK which have been handling retail distribution of Datsun cars for the past 10 years.

Mr. Fletcher claims that more than 20,000 jobs will be endangered if Datsun car sales in the UK are permanently cut back as the result of export restraint arrangements made at Government level.

Mr. Fletcher is pressing for the restoration of at least some of the cancelled shipments, and for an increase in November shipments from the present limit of 4,500 cars.

His arrival in Tokyo coincides with the release of figures for September shipments of Japanese cars to the UK. These show a moderate rise from August in passenger car shipments (11,661 units as against 10,020 units), but a decline in the number of commercial vehicles (770 units down from the August figure of 1,505 units).

The September figures for passenger cars and commercial vehicles are lower than those for the same month of 1977.

Car flood must stop, Page 11

Francorail wins order

Francorail said it and its Brazilian associate, COBRASMA, received part of a £76.4m order for 150 traction units for the East-West line of the Sao Paulo metro system, Reuter reports from Paris.

Francorail and Jeumont-Schneider unit, Sigla, received a £17.6m share of the overall order to supply electronic traction equipment.

TRADE WITH IRAQ

Semi-embargo is beginning to bite

BY PATRICK COCKBURN

U.K. EXPORTERS are now finding that the directives issued by the Iraqi Government limiting trade with Britain are beginning to bite. These directives to ministries and State organisations, placing an embargo on trade with Britain except in special circumstances, were issued by the Baghdad Government in response to the expulsion of 11 Iraqis from Britain in July.

With Iraq's oil revenues, as the second largest Arab oil producer, totalling $9.6bn in 1977, there were hopes that British exports would rise. They were worth £167m last year but in the first seven months of this year they totalled £123.5m, a 28 per cent increase on the same period the year before. Most of the orders were for machinery and vehicles.

These exports consisted of small contracts. No British companies have been successful in bidding for major projects in the past and many of them have been wary of going for the bigger schemes. Wimpey's bids for the $1.8bn Baghdad-Hussiaba railway and the Umm Qasr civil port development in the south of the country were considered a test case. Wimpey was originally optimistic about their chances but at the beginning of October the railway contract was given to Mendes Junior of Brazil.

It is not clear if the semi-embargo on contracts with Britain played any role in Wimpey losing the contract but bad political relations between the UK and Iraq cannot have helped. Such Government directives are usually sporadically applied, and limited by Irak's keen sense of its own economic interests, but some of the smaller exporters say that they are now losing contracts

Dealing with Iraqi Ministries and State organisations—95 per cent of Iraqi trade is State controlled—has always involved prolonged negotiations. Thyssen of West Germany once made 63 separate offers before clinching a deal. In the years immediately after the 1973-74 oil price increase this led to British companies going for easier and more remunerative contracts in Iran and the lower Gulf. Only in the last 18 months has this attitude changed but the new directives, nonetheless threatening because of the uncertainty surrounding their application, will probably discourage some companies from bidding.

No British companies have been successful in bidding for major Iraqi projects in the past and many of them have been wary of going for the bigger schemes.

Were it not for bad political relations, Britain should be well placed to win contracts in the Iraqi market. Imports of Iraqi crude in the first half of the year were running at about $48m a month which is twice the level of exports. This is important because the Iraqis plan to increase oil production from 2.5m barrels a day in 1977 to 3.5m barrels a day by 1980. The Government in Baghdad has vociferously pointed out to its main suppliers that if they wish to win major contracts they should increase their consumption of Iraqi crude.

The main pressure has been on West Germany and Japan as the two largest exporters to Iraq. The Japanese have responded to this and their Iraqi oil imports are increasing, though not quite as fast as the growth of their exports. Japanese companies in Baghdad, however, are worried that the rising value of the yen is making them progressively less competitive.

Worst hit by such demands have been the West Germans. In the past they have been Iraq's largest supplier. West German companies have won such important contracts as the trans-Turkish pipeline, linking the northern Kirkuk oil fields with the Mediterranean, and the $1bn petrochemical complex in the south. But officials in Baghdad noted that West German imports of Iraqi crude have dropped over the past two and a-half years. Their exports were worth $65m a month in 1977 while oil imports were running at only $10.5m.

Early this year the Iraqis imposed an embargo on further contracts with West Germany until they raised their consumption of Iraqi crude. The West Germans argued that they could not put pressure on the oil companies to change their purchasing arrangements and in any case the Iraqi crude was too heavy for German refineries. The embargo against the West Germans has only begun to bite since July, but so far there are no indications that West Germany will bow to Baghdad's demands.

Given Iraq's bad relations with the U.S.—diplomatic relations have not been restored since they were broken off in 1968—there is a limited number of suppliers for sophisticated plant to whom the Iraqis can turn. They are, however, prepared to waive any restrictions where their own interests are concerned.

Iraqi Airways is almost entirely supplied by Boeing and some of the contracts for the oil industry have gone to U.S. companies. At the same time trade with the Soviet Union has tailed off since the early 1970s when the Government needed economic help in dealing with the aftermath of the nationalisation of the Iraqi Petroleum Company (IPC). Soviet companies are now mainly involved in dam and power station contracts.

This should leave the door open for France and Italy, the two largest consumers of Iraqi oil. The Italians have so far been unable to capitalise on this though Fiat is leading a consortium of companies in the running for $600m worth of contracts. The French have made a strong diplomatic drive for good relations with Baghdad. Raymond Barre, the French Prime Minister, visited the country last year following on previous visits by the former Prime Minister Jacques Chirac. Despite the gun-battle between Iraqi security men and French police in the summer, relations have remained good.

The strong French diplomatic position has yet to be translated into a major increase in export orders, and French trade with Iraq is still heavily in deficit. A major arms deal has long been discussed. The Iraqi army is almost entirely equipped with Soviet weapons but Baghdad has spoken of diversifying sources of supply. French helicopters, such as the Alouette, are already in service and 32 Mirage F1s have been ordered, but so far there is little sign of the major deal the French are looking for.

India in fighter engine deal with Soviet Union

BY K. K. SHARMA

NEW DELHI, Oct. 17.

AGREEMENT HAS been reached with Russia on supply of a more powerful engine for the MiG-21 to be built in India under licence. This follows talks with a Soviet team on ways to accelerate the indigenisation of the improved version of the aircraft.

India already makes the MiG-21 in a three-factory complex and has tried hard to get a better engine to give the aircraft greater thrust in combat. This has now been agreed to and the improved version should be in series with the Indian Air Force by 1980.

This is two years before the Jaguar will be built in India under licence from the Aircraft Group of British Aerospace, which has just concluded talks here.

The company's team was led by the Aircraft Group's chairman, Mr. F. W. Page.

Mr. Page confirmed that British Aerospace has offered the Harrier to the Indian Navy and hoped the vertical take-off aircraft would serve its needs adequately. He did not disclose details but it is understood that the Government has decided to buy 20 Harriers initially.

Fokker in French talks

BY CHARLES BATCHELOR

AMSTERDAM, Oct. 17.

A DUTCH delegation flew to Paris today for talks with the French aircraft authorities on proposed co-operation between the two countries' aircraft industries. The Dutch team was headed by Economics Minister Mr. Gijs Van Aardenna and the State Secretary at the Defence Ministry Dr. W. van Eekelen. They were due to return to The Hague late this evening.

The Dutch aircraft manufacturer Fokker is to seek closer co-operation with the French aircraft industry now that its links with the West German Vereinigte Flugtechnische Werke (VFW) are to be loosened. The West German government does not appear ready to accept Fokker as a partner in the merged aircraft company it is now creating from VFW and Messerschmitt-Boelkow-Blohm, Mr. Frans Swarttouw, chairman of Fokker, told a Press conference here.

Fokker is thus seeking to strengthen its links with the French aircraft industry. A French aircraft, the Breguet Atlantique made by Dassault, is, together with the Lockheed Orion, a potential successor to the Neptunes currently in use with the Dutch Navy as reconnaissance aircraft. The Navy is in favour of the Orion, which is also cheaper than the Atlantique, but Fokker favours the French aircraft

Lever Brothers pledge to peg soap prices

BY PAUL TAYLOR

LEVER BROTHERS, the Unilever subsidiary, has given assurances to hold down the price of its soap, detergent and other related products for at least nine months following a Price Commission investigation.

The Price Commission report published yesterday shows that the company has pledged not to increase prices before July 30 unless it encounters unforeseen cost rises or other exceptional circumstances. It will affect leading products like Persil, Omo, Lux, Vim and Domestos.

The other major result of the Price Commission investigation is that the company has said it was willing to reduce consumer confusion over temporary price reductions (TPRs) by marking the recommended retail price on "money off" and "price marked" packs.

Lever notified the commission in June of its intention to raise the price of soaps, detergents and related products by an average of 4.S per cent.

This price rise has already been allowed under the profit safeguard regulations, but the commission said it wished to investigate the increase, particularly *because of the company's* policy of offering TPRs.

The Price Commission said it had decided some price restraint was appropriate because competition in the washing powder and detergent market was largely confined to two companies.

It is also investigating a similar price increase application from Lever's main competitor, Proctor and Gamble.

Lever's 13 per cent return on capital before tax was adequate, but might be difficult to sustain if the company was under greater competitive attack, it added.

Much of the report concerns the question of the company's use of TPRs. The commission appears to have steered a mid-course between the enthusiasm expressed for TPRs by Lever and the opposition expressed to them by consumer organisations.

It rejects the suggestion that these "bargain offers" generally confuse housewives but accepts that many retailers dislike them.

Misnomer

The word "temporary" was a *misnomer* because TPRs were "so extensively used," but the commission was "unable to conclude that their use is clearly against the consumer interest."

If recommended retail prices were included on soap and detergent pack, and were carefully defined, confusion might be avoided but the Department of Prices and Consumer Protection *should* undertake to discuss the issue in greater depth with Lever and other companies.

Lever said yesterday that it felt the report was in the main, "a favourable endorsement" of its approach to business. It would co-operate with a further study of TPRs but said it was "most concerned" with the commission's views on adequate returns on capital.

£179 US. holiday offer in Cosmos list

A 12-DAY package holiday in New York for £179, offered by Cosmos, the tour operator, is the latest development in the transatlantic fares battle.

The company's lowest-price New York all-in tour is marginally dearer than other discount travel-only fares. British Airways' APEX fare is £149 and the Laker Skytrain costs about £139 return.

Cosmos offers several other package tours in the U.S., including the Old South and Florida, and the West.

The company, like other tour operators has introduced free compensation for holidaymakers delayed by industrial action. Customers may also cancel a holiday of eight days' duration or less after 24 hours, and an 11-15 day holiday after a 36-hour delay, and receive full compensation.

Gales halt oil switch from Greek tanker

By Robin Reeves

FALMOUTH and Rotterdam have both offered to receive the crippled Greek oil tanker, Christos Bitas, for dry dock repairs, should the salvage operation off the Welsh coast, which entered its sixth day yesterday, prove successful.

News of the offers emerged as the tanker was being towed down the Irish Sea in search of calmer waters to resume the offloading of the stricken vessel's oil. Gale force winds and heavy seas had earlier halted pumping of the oil into the 30,000 ton British Dragoon moored alongside.

A final decision on the tankers' destination may not be taken until all, or most, of the oil has been pumped out.

The vessel was yesterday reported, no longer to have a list. But she was still lying deep in the water, with a draught of some 60 feet.

For the first time since the tanker hit a reef off the Pembrokeshire coast last Thursday, oil was reported coming ashore along the Welsh coast.

Coastguards reported "minor pollution" on beaches from Newquay, to Caldey Island. Already treated with detergent, the oil should disintegrate within a few days.

Output policy *is real issue,* says Thatcher

By Our Lobby Staff

THE CONSERVATIVE Party's internal differences over incomes policy were minute when set against the "real issues" facing the country, Mrs. Margaret Thatcher said yesterday.

Speaking while campaigning in the by-election at Berwick and East Lothian, the Tory leader said: "To hear some commentators and to read what they say, you would think the whole of Britain's future depended on 5 per cent. What absolute nonsense."

Mrs. Thatcher said that countries like Germany, South Korea and Taiwan were tremendously successful but had never had an incomes policy. "They have an output policy—incentives for getting up output. That matters far more than 5 per cent," she said. The output policy included lower taxation and a tighter control of money supply.

"We have become a low wage, low output economy," she said.

Economic indicators point to recovery continuing next year

BY DAVID FREUD

FURTHER SIGNS that Britain's economic recovery may continue through the early months of next year emerged in official figures released yesterday.

For the second consecutive month, cyclical indicators, prepared by the Central Statistical Office to provide advance warning of turning points in the economy, suggested an increase in activity in the New Year.

The index of shorter-leading indicators, which points about six months ahead, rose in August, following an increase in July—though the figures must be treated with some caution because only two of the five economic variables which contribute to it are available.

The increase is based therefore on rises in new-car registrations and new hire-purchase credit.

The index of longer-leading indicators, which looks ahead on average for about a year, also presents a fairly optimistic picture. It rose in September, following the gain in August which came after a steady downward trend for nine consecutive months.

This index also must be treated with reserve because it relies heavily on the performance of the stock market and also because only two of its four components are available.

This means that the rise in the index was caused by a small increase in the FT-Actuaries 500-share index, accompanied by a slight fall in short-term interest rates, which are used in inverted form.

The index of coincident indicators continued to rise in August, due to a small increase in both the volume of retail sales and manufacturing output.

Inclusion of the three measures of gross domestic product for the second quarter into the index confirmed its upward movement through the early part of the year.

Insider dealing Bill for next session

BY PHILIP RAWSTORNE

A NEW Companies Bill is to be included in the Government's legislative programme for the next session of Parliament. The programme, to be outlined in the Queen's speech on November 1, was agreed by the Cabinet yesterday.

The company Bill is expected to be based on the Government White Paper published this year. It would cover insider dealing, directors' interests and employees' rights to information.

Bills on housing, education and National Health Service reorganisation will form the core of the Government's programme for what will be the last session before a General Election.

Mr. James Callaghan, the Prime Minister, has promised laws to bring in a council tenants' charter and to give more influence to parents and teachers in running schools.

Health Service reorganisation, subject to the recommendations of the Royal Commission, would seek to make management more responsive to patients' and employees' needs.

A referendum on devolution will be a key feature of the Queen's Speech. In opening debates the Government, which will rely heavily on Scottish National Party support to give it a Commons majority, is to announce a firm date for the referendum, probably in March or April next year.

Rise in demand for executives

THE DEMAND for UK executives rose again in the third quarter this year according to MSL, the management consultants, who keep an index of job recruitment advertising.

For the three months to the end of September, the MSL index rose from 107 to 109. The company said this meant demand for executives was the highest in four years. The demand for computer specialists and accountants was particularly strong.

Neave flexible on Ulster councils

BY STEWART DALBY

MR. AIREY NEAVE, the Opposition spokesman on Northern Ireland yesterday finished a 36-hour visit to the province, where he saw leaders of the political parties in a bid to gain support for the Conservatives' tentative plan for regional councils or a new tier of local government.

Mr. Neave said he wants to examine ways of filling the vacuum in local government between the effectively powerless 26 district councils and the all-powerful direct rulers from Westminster.

An independent inquiry might be the way to solve the problem, Mr. Neave indicated.

He said that there was no question of an immediate return to devolved government like the Stormont parliament, which was dissolved in 1974. But the legislative pressure at Westminster meant that in key areas like planning and education Northern Ireland was not getting the kind of local government it deserved.

He conceded that the Conservative plan for regional councils, which would have the administrative power of a county council, had met with stiff opposition, particularly from the main Catholic party, the Social Democratic and Labour Party.

Majority

"The SDLP are not the slightest bit interested," Mr. Neave said. The opposition to it was that the county councils were based on the principle of majority rule and that in Northern Ireland this would mean automatic loyalist domination because of the way the boundaries are drawn.

Mr. Neave, who was accompanied by Mr. John Biggs-Davison, the Conservative second spokesman on Northern Ireland, maintained that he was flexible on the local government question.

"What we would like to do is set up an independent inquiry to see how we can get round the problem of automatic majority rule.

He rejected the plan for a non-legislative assembly which has been dusted off by Mr. Mason, the Northern Ireland Secretray, and presented to politicians in the Province.

Minister attacks CEGB policies

BY JOHN LLOYD

A GOVERNMENT minister yesterday criticised the Central Electricity Generating Board for being "old fashioned" in its fuel policies.

Mr. Alex Eadie, a junior minister at the Department of Energy, said that the CEGB's view that the National Coal Board was unable to produce coal efficiently and in sufficient quantities was "exactly the same as it had said in the sixties," when oil was cheap and coal production was falling rapidly.

Mr. Eadie's criticism, which he admitted was not wholly in line with the views of the Department of Energy's civil servants conforms to the dissatisfaction with the CEGB voiced by Mr. Anthony Wedgwood Benn, the Energy Secretary.

Mr. Benn yesterday said "the electricity industry was crying out for re-organisation." He said the Government was committed to the Electricity Bill, which would increase the powers of the Energy Secretary over the industry.

The Bill was published in draft form earlier this year, but was not introduced in Parliament because the Liberal Party had indicated it would not support it.

Mr. Benn believes the CEGB has too much freedom in its choice between coal, oil and nuclear power as power station fuel, and that the exercise of the choice effectively dictates the country's energy policy.

Mr. Eadie said that in the period when oil continues to be competitive with coal—expected to be over the next 15 years—the Government should continue to subsidise coal burn in power stations. Last week, the Government announced a subsidy of £17m to assist power station coal burn.

On miners pay, Mr. Eadie said that the coal industry had to become a high-technology, high-wage industry.

He added that he had been sceptical about the advantages of the incentive bonus scheme, but he maintained it was still too early to judge it fully. The scheme has so far yielded small increases in output per manshift over the industry.

He thought the real breakthrough in productivity would only come as the larger, modern pits replaced the older pits, and as new technology was introduced.

Investment in the mines—now running at about £4bn—was only half of what was needed if the industry were to satisfy future demands.

Mr. Eadie, who was responsible for a £43m programme, introduced in May this year, aimed at substituting coal-derived fuels for natural oil and gas by the end of the century, believes that Government support is essential if the industry is to produce enough coal to manufacture substitute oil and gas.

Agents' tribunal told of gambling and lunches

FINANCIAL TIMES REPORTER

APPOINTING A gambler as head of the Crown Agents' sterling money market operations seemed very strange, Mr. Peter Nowers, an official in the organisation until his retirement in 1976, told the tribunal investigating the agents' £224m losses yesterday.

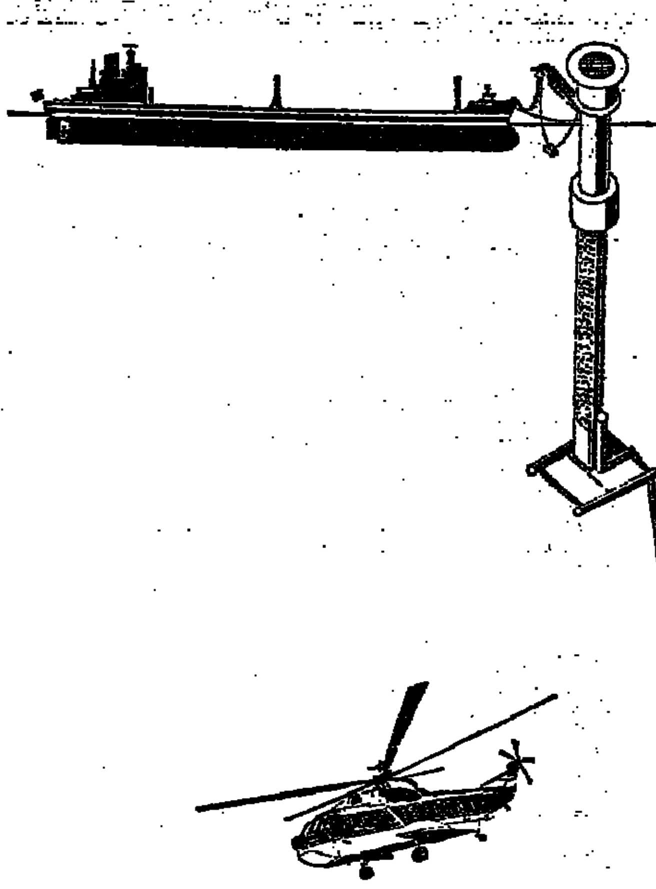
The tribunal heard of internal complaints about the life style of the late Mr. Bernard Wheatley, the money market manager who was committed for trial on corruption charges shortly before his death last year.

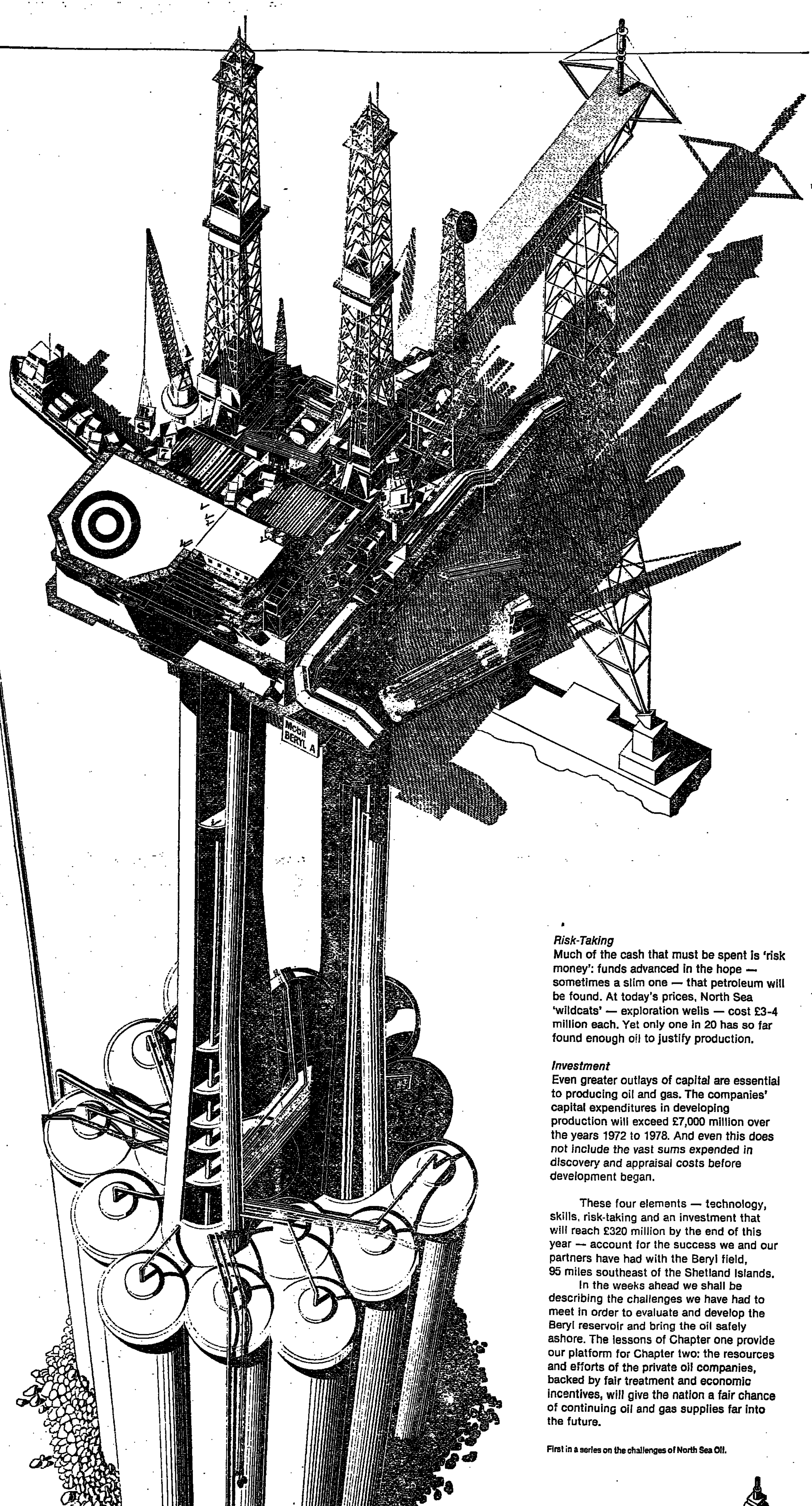
Mr. Nowers, formerly agents' office fund accountant, said that his protests about Mr. Wheatley went unnoticed. He said that lunch bills as high as £35 in the earrly 1970s "sent my blood pressure up."

Talking of Mr. Wheatley, Mr. Nowers said: "It did strike me as a very strange appointment to put in control of fairly indefinite sums, large amounts, someone who was known to be a frequenter of gambling clubs."

Mr. Nowers queried expenses with members of the agents' financial directorate. He said: "I was given to understand that the Crown Agents could not pay Wheatley what he was considered to be worth as money market operator, and he must be allowed some indulgence on this point."

He had explained his concern about the way in which the Crown Agents were being run to Sir Stephen Luke, the former chairman. He recalled no action being taken.





A Platform to stand on.

Remember, little more than a decade ago, when many people doubted there was oil beneath the North Sea? But then the huge drilling rigs began probing thousands of feet beneath the seabed and the even more massive production platforms began to appear. And today, the first chapter of the North Sea oil story is ending happily with self-sufficiency in sight and a problem for Britain which many other nations would love to have: how to spend wisely the hundreds of millions of pounds received each year from the growing revenues of taxes and royalties.

Nobody pretends that the oil won't run out eventually. It's no 'cure all' and no windfall. But this much is clear: Chapter one in the North Sea has been a success, with eleven fields in the U.K. sector already producing more than half the nation's requirements. Chapter two, the effort to increase and prolong supplies through new discoveries and the development of economically marginal fields, can be successful too.

But it will require the resources and efforts of the private oil companies, with encouragement from the government.

It will require a public policy that continues fair treatment and economic incentives.

That's the platform we stand on.

What did it take for Britain to come so far so quickly? The keys to success have been:

Technology
Drilling and production techniques used in many parts of the world were brought to the North Sea but they were sometimes inadequate to cope with the great depths of water and the ferocity of the weather. New ideas were then tried out as oil men pushed back the frontiers of known technology.

Skills
Behind the drilling rigs and giant producing platforms lay human prowess in everything from geophysics and geology to deep sea diving — jobs that the oil industry was in a unique position to fill with highly experienced specialists, and which British people are filling in growing numbers.

Risk-Taking
Much of the cash that must be spent is 'risk money': funds advanced in the hope — sometimes a slim one — that petroleum will be found. At today's prices, North Sea 'wildcats' — exploration wells — cost £3-4 million each. Yet only one in 20 has so far found enough oil to justify production.

Investment
Even greater outlays of capital are essential to producing oil and gas. The companies' capital expenditures in developing production will exceed £7,000 million over the years 1972 to 1978. And even this does not include the vast sums expended in discovery and appraisal costs before development began.

These four elements — technology, skills, risk-taking and an investment that will reach £320 million by the end of this year — account for the success we and our partners have had with the Beryl field, 95 miles southeast of the Shetland Islands.

In the weeks ahead we shall be describing the challenges we have had to meet in order to evaluate and develop the Beryl reservoir and bring the oil safely ashore. The lessons of Chapter one provide our platform for Chapter two: the resources and efforts of the private oil companies, backed by fair treatment and economic incentives, will give the nation a fair chance of continuing oil and gas supplies far into the future.

First in a series on the challenges of North Sea Oil.

Mobil®

HOME NEWS

Mersey docks plan talks start

BY RHYS DAVID

PRELIMINARY talks have begun between Merseyside County Council and the Mersey Docks and Harbour Company after the council's decision to try to acquire about 400 acres of disused dockland near the centre of Liverpool.

The council's policy committee has given its officers a one month target to negotiate the deal, intended to release land to the south of the pier head for redevelopment.

The scheme has been described by Sir Kenneth Thompson, council leader, as the most ambitious initiative so far aimed at creating and maintaining employment on Merseyside. He said they would be looking to central government for support for their plans which were in line with inner city policies.

There are some signs, that the country's proposals could run into opposition from the Liverpool City Council. City council leader, Mr. Trevor Jones, warned yesterday that the county's bid for the land would delay talks with private developers anxious to build on parts of the site.

Details of the council's bid have yet to emerge but it seems the county is planning to buy some land and leasing the remainder, with the option to buy as development proceeds.

The land has been awaiting redevelopment since 1972 when the docks company concentrated its declining general cargo traffic in berths north of the pier head. Since then, parts of the south docks system have been let, and there are now about 120 companies there employing some 1,000 people.

Proposals have already been put to the planning authorities to develop parts of the site mostly at the northern end closest to the city centre, but none has so far reached the building stage.

The council itself has disclosed plans to develop a major international maritime museum in part of the docks system, and two private groups have put in planning applications. Gerald Zisman Associates, a London-based property group, wants to develop a trade, industrial and export centre, costing possibly as much as £100m. It is reported that it will soon be putting in detailed proposals.

The possibility of delays to this proposal, as a result of the county council's intervention, is apparently worrying the City Council.

Another scheme has been put forward by Pavilion Recreation of Malvern, Worcestershire, for leisure, shopping and office complex costing possibly £10m.

The county council has not revealed how much it will spend, and has stressed that the project was being spread over 20 years.

Sir Kenneth has said that he estimates that if the cost of developing the site were to run to £150m, the county council would not have to meet more than 10 per cent of the cost.

The docks company's estates and legal officers will now hold detailed talks with their counterparts in the county council but so far the company's reaction has been cautious. It has said that although it is as anxious as the county to see the redevelopment it was obliged to act in the shareholders' best interests.

"It needs to be appreciated that the Mersey Docks and Harbour Company is a private company with a responsibility to its shareholders who have lost 60 per cent of their investment after a capital reconstruction decided by the High Court. Included in the scheme was the creation of a £20m debt in the form of loan stock which it was envisaged would be repaid to shareholders, mainly from the proceeds of the sale of land," the company said.

County will debate Tyne port take-over

BY RHYS DAVID, NORTHERN CORRESPONDENT

TYNE AND WEAR, the county centred on Newcastle upon Tyne, will discuss a motion today calling for the take-over of the Port of Tyne Authority, the publicly appointed body that runs the local docks system.

The proposal comes from the minority Conservative group on the council, which argues that the financial assistance provided by the county to the port authority over recent years justifies direct control. The ruling Labour group has not decided over the proposal but is thought likely to support the idea.

The port has suffered severely over recent years from the decline of its former basic trades, such as coal and steel. It was forced to turn to the council for help in 1975 when faced with the loss of some North Sea traffic when Olsen-Bergen Lines, sailing to and from Norway, proposed to concentrate operations on Humberside.

The county persuaded Olsen-Bergen to change its mind by agreeing to reimburse part of the dues on passengers and cars using the company's ferries and by contributing towards the cost of a joint promotion scheme to stimulate traffic from Norway. The company in return has been operating four sailings a week in summer from the Tyne to Norway. It has designated the Tyne its main UK port for that traffic.

Similar agreements covering reimbursement of dues were subsequently negotiated with DFDS and Tor Line for services to Denmark and Sweden, and the county council has paid £1m towards the £1.5m cost of an additional roll-on roll-off berth for Scandinavian services at North Shields with the Department of Industry providing the balance.

The subsidies in the present year on all Scandinavian services are costing Tyne and Wear ratepayers about £280,000 and a further contribution is being made by North Tyne District Council, which covers North Shields. The county claims, however, that the cost is more than justified by the increase in tourist traffic to the area and the estimated extra £14m-£20m taken by local shops, hotels and transport services over the past two or three years.

Passengers on the Norway route are expected to total 146,000, an increase of almost half on the 100,000 visitors in 1975-76. Cars have increased from 12,393 to 18,000. Visitors from Denmark are up over the period from 20,000 to 50,000 and this year, in its first year of operation, the Swedish services are likely to total 40,000.

On all the services roughly seven passengers in 10 have been Scandinavian or German, with only 30 per cent of the traffic accounted for by Britons holidaying in Scandinavia. A further development next year might be a new service linking the Tyne with Hamburg.

A further argument in favour of a take-over is that the local authorities would gain access to land within the port area that might be used for industrial development or environmental improvement. The port authority has been anxious to retain the land for port-related industry.

If the motion is approved, the council is likely to seek talks with the port authority to see if a take-over can be agreed.

If the port authority, which has only one representative from Tyne and Wear on its board, is reluctant to accept the proposal, the county council might have to promote a parliamentary Bill. Alternatively, it might ask the Department of Transport to reconstitute the port authority, giving its local councils a majority on it.

Consumers want say on water

Financial Times Reporter

THE National Consumer Council said yesterday that at least one third of the members of local water authorities should be consumer representatives. It also called for a separate National Water Consumers' Council.

In a leter to Mr. Roy Hattersley, Secretary for Prices and Consumer Protection, the council has complained that the rights of pensioners and council tenants have not been adequately protected since the authorities have changed to direct billing. It has also claimed authorities do not give the consumer sufficiently flexible methods of payment.

Before the introduction of direct billing, consumers could pay for their water in monthly instalments with their rates, but this now appeared to be possible only in special cases, leaving disconnection of supplies for non-payment entirely at the discretion of the authorities.

Regional water authorities in England currently consist of a chairman and members appointed by the Secretary of State for the Environment, the Agriculture Minister and local authorities.

Mr. David Campbell

MR. DAVID CAMPBELL, a senior partner in the stockbroking firm of Robert Escombe Campbell and Co. has died suddenly at the age of 45.

He joined the company 20 years ago in partnership with his uncle, the late Commander Colin Campbell. Robert Escombe Campbell was established in the City in 1862. Mr. Campbell leaves a wife and three children.

APPOINTMENTS

Estate manager for London Transport

Mr. Patrick Elliott has been appointed LONDON TRANSPORT'S chief estate manager designate, to succeed Mr. Ian McGillivray on his retirement early next year, after 42 years' service with London Transport. Mr. Elliott will be responsible for management and development of all London Transport property.

He was previously a senior partner of Cluttons, chartered surveyors, and before that, was property controller of the Unilever Group.

*

Mr. Jose Ochoa has joined SCANDINAVIAN BANK, London, as manager for Latin America. He has also been appointed associate director—Latin America, for Scandinavian Finance, Bermuda.

*

Mr. K. Paul Bentley has joined Thomson Welding and Inspection (part of Thomson Welding Group based in Inverness) to form a consultancy in management for quality and safety and high value technology. Known as THOMSON CONSULTANTS, the new enterprise operates from a regional office in Cambridge. Mr. Bentley was previously director of quality and safety in the Greens Economiser Group, Wakefield.

*

In the STEWART WRIGHTSON insurance broking group the following appointments have been made. Stewart Wrightson International Group—Mr. P. C. Methley, chairman, Mr. J. I. Mehrtens, a director, Mr. W. D. Engeham, chairman of Stewart Wrightson (Marine), in addition to being chairman of Stewart Wrightson (Surety and Specie). Mr. A. P. Pocock, managing director of Stewart Wrightson (Marine) and a director of the International Group, and Mr. A. D. Delderfield, chairman of Stewart Wrightson (Development). Stewart Wrightson Group (Bermuda)—Mr. P. A. M. Bray, chairman, to be resident in Bermuda. Stewart Wrightson Insurance Agencies / Camomile Underwriting Agencies—Mr. M. E. Henderson, chairman, and Mr. J. B. Hodges, managing director of Camomile Underwriting Agencies. Mr. P. G. Turpin has resigned from the group.

*

Mr. Alan E. Day has been appointed treasurer of NATIONAL WESTMINSTER BANK'S domestic banking division. Previously deputy treasurer, he succeeds Mr. Douglas Edge who retires on October 31.

*

The BATH AND PORTLAND GROUP announces the appointment of Mr. J. A. G. Clarke and Mr. G. R. A. Metcalfe as joint managing directors.

Until this new appointment, Mr. Clarke had been managing director of the group's building and civil engineering subsidiary Marples Ridgway since 1971. Previously he had been joint managing director with Mr. R. J. Ridgway for two years. He was appointed to the main Board in 1975.

Mr. Metcalfe was previously a managing director of Initial Services, a company with textile, rental and engineering interests. In his earlier career with Richardsons Westgarth and Vickers he was involved in the development of marine diesel engines and nuclear reactors.

*

Mr. H. B. Stadler, chairman and managing director of R. AND A. KOHNSTAMM, Beckenham, will relinquish his position as managing director on December 31, but will continue as chairman for the present and will retain his other appointments within the group. During 1979 he will transfer to the group's head office in Yeovil and assume responsibility for a range of administrative duties. From January 1, Mr. N. W. Palmer has accepted the position of managing director of R. and A. Kohnstamm, which at his request may be limited to a period of two years. Mr. Palmer has been a director of C. W. Pittard and Co. since 1962 and technical director of Pittard Group since 1974.

*

ALUMINIUM BRONZE COMPANY, Walsall, a member of the Laird Group, announces the appointment of Mr. P. Mullarkey as chief executive. He was previously chief executive for Phoenix Castings, Coventry, a member of the Adwest Group.

*

Mr. Leonard Griffiths has been appointed to the Board of GAMMA ASSOCIATES, the Nottingham-based computer systems group, as commercial director. Prior to his appointment he had been advising the group as marketing consultant.

*

POWER CLEANING, Romsey, Hants, has appointed Mr. Norman R. Wrapson as contracts director and Mr. Ian R. Burton as company secretary.

*

Mr. L. Cocks is to rejoin ASSOCIATED COMMUNICATIONS CORPORATION (formerly Associated Television Corporation), as executive assistant to Mr. J. Gill, deputy chairman and deputy chief executive. Mr. Cocks will be in charge of group liaison world-wide and will take up his appointment on November 1. He has had a long association with the Corporation's subsidiaries.

*

Mr. M. R. Wynn is appointed manager of projects, engineering department, BP CHEMICALS, London, replacing Mr. M. Woolveridge who will be transferring to BP Trading's engineering department.

*

Mr. Alan Kaye is now chairman of the mining machinery division of the DOBSON PARK INDUSTRIES GROUP following the appointment of the previous chairman, Mr. J. J. Francis, to the chairmanship of the Kango division. Mr. Francis is also group deputy chairman. Mr. Kaye was previously chief executive of the mining machinery division. Mr. T. Pollard is chairman of the international mining machinery division.

*

WELLMAN INCANDESCENT, Smethwick, has appointed Mr. Bernard H. Liberman as director—chemical engineering division.

Marks & Spencer

The unaudited trading results of the Group for the first half of the financial year ending 31st March 1979 are announced as follows:—

	26 Weeks Ended: 30th Sept. 1978	1st Oct. 1977.	Inc/(Dec)
	£000	£000	%
SALES (excluding Sales Taxes)			
UK stores:			
Clothing and other merchandise	433,100	356,494	21.5
Foods	205,191	167,893	22.2
Direct Export sales outside the Group	13,200	16,556	(20.3)
	651,491	540,943	20.4
Overseas stores:			
Europe	10,539	8,149	29.3
Canada	26,155	30,022	(12.9)
TOTAL GROUP SALES	688,185	579,114	18.8

The total value of Exports from the UK, including shipments to overseas subsidiaries, was £21,153,000 (last year £25,027,000).

	26 Weeks Ended: 30th Sept. 1978	1st Oct. 1977.	Inc/(Dec)
PROFIT BEFORE TAXATION	£000	£000	%
UK (Before Profit Sharing)	76,261	55,277	38.0
Europe	loss (482)	loss (479)	
Canada	loss (2,835)	loss (2,783)	
GROUP PROFIT BEFORE TAXATION	72,944	52,015	40.2
TAXATION			
UK	34,300	24,700	
Overseas	10	(217)	
	34,310	24,483	
GROUP PROFIT AFTER TAXATION	38,634	27,532	
Loss attributable to minority interests	1,176	1,065	
NET PROFIT AFTER TAX ATTRIBUTABLE TO MARKS & SPENCER LIMITED	39,810	28,597	39.2
Earnings per Share (Pence)	3.06p	2.20p*	

*The earnings and dividends per share figures for last year have been adjusted to take account of the scrip issue made in August 1978.

St Michael

STATEMENT BY THE CHAIRMAN
The Hon. Sir Marcus Sieff, O.B.E., B.A.

We enjoyed good increases in our store sales in the UK during the first six months of the current financial year; in particular at stores which have been extended such as Chester, Oxford, Norwich and Bury St. Edmunds. Margins have been maintained and costs are under control so that the final trading profit is substantially higher than last year. We anticipate continued good progress during the second six months.

No provision has been made for deferred taxation. Only taxation estimated as actually payable has been charged against the profit and last year's charge has been adjusted accordingly.

Exports of ready-made clothing have been disappointing. Tariff barriers and quotas in some countries have prevented us from developing our business as seemed likely a year ago. We are exploring other areas of the world and have achieved some initial success.

European results are encouraging. We have taken firm steps to stem the losses at our Lyon store by reducing footage and are expecting good results from the forthcoming extension at our major Paris store in Boulevard Haussmann. The costs of reducing our operations in Lyon and of the development in Paris totalled £976,000 which has been charged against the six months' results.

The sales comparisons in Canada have been distorted by exchange rates, which are materially different from last year. Expressed in Canadian dollars, sales in Canada have increased by 7%. Trading in the Marks and Spencer Division has shown a considerable improvement over the same period last year. Whilst we are opening new stores in suitable shopping malls, it has been necessary to bear the costs of a number of closures in unsuitable locations and to provide for the expected cost of some further closures which will take place in the future. The total of such costs amounted to £1,118,000 and was charged during the half year. The other two trading divisions — Peoples and D'Allairds — continue to show good progress.

We expect to be able to increase substantially our dividends for the year. The Directors have accordingly declared an interim dividend of 1.15 pence per share, costing £14,946,000, compared with 0.85 pence last year, costing £11,033,000. Together with its associated tax credit, this represents an equivalent gross amount of 1.7164 pence per share compared with 1.2879 pence last year, an increase of 33%.

The interim dividend will be paid on 12th January 1979 to shareholders whose names are on the Register of Members at the close of business on 17th November 1978.

MARKS & SPENCER

Your family is our business

Expand export role, design teams urged

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE GROWING overseas role of UK design consultants, who are involved in work worth £7bn, might be expanded further, according to a report published today by the Civil Engineering Economic Development Committee.

The report describes the scale of British consultancy services overseas as an important success that contributed £350m net to the UK balance of payments in 1977. It comments that significant scope remains for further penetration of export markets and suggests that public-sector consultancy work might figure much more prominently in overseas business.

UK public utilities and local authorities have substantial internal design resources to supply domestic needs but until recently they have done little to help the balance of payments. The report says that they should now seek to develop a strong export role.

Wasteful

It comments: "Individual enterprise and the impartial service provided by consultants are valuable aspects of export success and deserve encouragement. Nevertheless, concerted effort should also have an important place in exploiting the UK's export opportunities, especially where British expertise in design and operation is divided between different organisations and where large sales of manufactured goods are in prospect."

The committee observes that public-sector design consultants—who carry out overseas work worth about £50m each year—have in some cases joined private consultants, contractors, and manufacturers to compete for overseas work and that the possibilities of similar co-operation on a much wider scale should be explored.

Such a move, the report suggests, would avoid wasteful competition, although it accepts that some export competition between public and private sectors cannot be avoided and may stimulate efficiency.

The committee accepts that some barriers may obstruct increased public-private sector co-operation, such as the disclaiming of financial liability beyond certain limits by public sector consultancies. However, it believes that such obstacles must be overcome if UK design services are to win more foreign business.

The report says that the British Consultants' Bureau should provide a forum in which public and private sectors can communicate on export. The Association of Consulting Engineers and the bureau should, according to the committee, consult members to determine whether a "clearing house" should be set up, matching the needs of consultants for staff to work overseas with the availability of suitable staff from the public sector.

Elsewhere, the report compares public and private-sector design costs, mainly in roads and water, and concludes that there is no evidence of real difference in performance between the two.

Nevertheless, it points out that pre-construction periods for roads in particular (up to 15 years) have stretched out to a point where they are three times as long as they were 10 years ago and that the trend is continuing.

The committee calls on the Government to try hard to reduce the pre-construction period for big civil engineering schemes and suggests more generous compensation and speedier payment to people affected by such projects.

Design and Export Civil Engineering "Little Neddy." Stationery Office. £3.29 postage paid.

Industry 'not using overdrafts to the full'

By Our Midlands Correspondent

INDUSTRY IN the west Midlands has so far this year taken up only a third of the £300m overdraft facilities made available by one of the clearing banks.

Mr. Anthony Budge, a director of Barclays and chairman of the Birmingham local Board, said yesterday that industry in the region over the past five years had hardly ever taken up more than half the overdraft facilities available in Warwickshire, Worcestershire, and Staffordshire.

Mr. Rudge was giving an eve-of-motor-show message to the components industry that cash is available for new ventures. He said there was a wide discrepancy between the large and medium-sized companies. Those with overdraft limits of more than £1m had taken up only 18 per cent of the facility, compared with the 50 per cent of those below that limit.

The crucial problem for industry was the lack of real profitability. Since 1960, the rate of return at historic costs had been fairly constant, at about 13 to 15 per cent.

On a replacement cost basis, and after providing for stock appreciation, the trend had been downhill, with "a precipitous fall" to an average of only 1.6 per cent in the three years from 1974. Last year was better at 3.2 per cent, but nobody could say investment was being encouraged.

"Indeed, with a higher level of inflation expected in 1979, the real return is likely to fall again," Mr. Rudge warned.

Pensioners to be paid Christmas bonus again

BY ERIC SHORT

THE GOVERNMENT has again decided to pay a Christmas bonus to pensioners, widows and the disabled and chronically sick.

The amount will be the same as last year—£10 tax free—it was announced yesterday by Mr. David Ennals, Social Services Secretary.

People receiving the bonus will be in the same groupings as last year, but a record number, more than 10m, will qualify for the payment. More than 8m of them will be retirement pensioners.

Cost of the bonus will be about £106m, charged on the contingency reserve, and the money will be paid in the week beginning December 4.

The payment of a bonus to pensioners at Christmas was first made in 1972 under a Conservative Government, when it was also £10. It was repeated in 1973 and in 1974, the 1974 payment being made under a Labour Government.

However, payments were then stopped by the present Government on the grounds that they were arbitrary and unfair. Last year a bonus of £10 was paid again.

The TUC and the organisations Age Concern and Help the Aged all welcomed this year's bonus but they were disappointed that the Government did not increase the amount to £20 as they had expected.

City dig could leave £1m hole for insurers

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

AN ARCHAEOLOGICAL "dig" in the City of London could cost the insurance market up to £1m.

Electricity Supply Nominees, the electricity industry's pension fund, is likely to claim that amount to cover the costs of a four-month delay on its £15m Watling Court office development in Cannon Street.

ESN co-operated with the Museum of London by opening its Watling Street site to the museum's archaeological department. The fund had hoped that the archaeologists, who started excavation work in July, would be finished by September. But the Department of the Environment has scheduled the site under the Ancient Monuments Act, allowing the excavation to continue until the end of the year.

Mr. Nick Sadler of Richard Ellis, ESN's agents, said yesterday that the building group Higgs and Hill had been contracted to start work on the scheme's 100,000 sq feet of new and refurbished buildings at the end of September. The DoE directive means that the 21 month building programme will not start until January at the earliest.

Mr. Sadler and Sedgwick Forbes, ESN's insurance brokers, are now calculating the costs of this delay. And Mr. Sadler confirms that, although no figures have been finalised yet, the eventual claim could be "in the order of" £1m.

It is understood that cover for ESN's archaeological finds insurance has been spread widely through the insurance market and that no individual insurance company or Lloyds' syndicate caries a high proportion of the risk.

Despite the delay, Mr. Sadler says ESN accepts that it "would have been socially irresponsible to refuse the museum access to the site." And Mr. Max Hebditch, the museum's director, said yesterday that relations with the fund and its agents remain "very cordial."

Mr. Hebditch describes the site as one of "great archeological interest as it has been constant occupation since the Romans." The museum's team has uncovered remains of 1st century Roman building, Saxon foundations, and sections of the Medieval city.

Period of cheap petrol will end soon—oil chief

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

DEMAND FOR fuel from the transport sector has recovered strongly this year, and a period of relatively cheap petrol and derv could soon be at an end, Sir Nevil Macready, managing director of Mobil Oil, said yesterday.

Sir Nevil told the annual Road Haulage Association conference in Eastbourne that in the first eight months of the year, petrol demand had risen by nearly 7 per cent and demand for derv by almost 3 per cent — compared with an overall recovery of under 1 per cent in demand for oil.

Supplies would start to tighten in the early 1980s and could lead to shortages in the second half of the decade. Oil companies would take the opportunity to price ahead of inflation to finance costly offshore oil exploration.

Transport fuel prices had fallen since 1976 and were now at their lowest for ten years. But as the world glut of oil ended, prices would certainly increase.

Sir Nevil stressed the need for energy conservation and said the oil companies were keen to help develop more efficient motor vehicles.

They were also experimenting with alternative fuels, such as liquid petroleum gas, alchohols, batteries, solar power and petrol derived from coal. But conventional fuels would continue to be the lifeblood of road transport at least until the end of the century.

German survey

IN OUR survey of West Germany published on Monday a photograph captioned Matthias Seefelder was in fact a picture of Mr. Cyril Townsend who will become general manager of the management services division of National Westminster Bank on December 31. We regret the error.

BP chief's bid to beat 1980s fuel crisis

By Sue Cameron

THE PRICE of oil will have to increase by as much as 30 per cent over the next five years if an energy crisis in the late 1980s is to be averted, Sir David Steel, chairman of British Petroleum, told the British-American Chamber of Commerce in New York yesterday.

Sir David said an increase of this order would not endanger the economies of the Western world but it would encourage energy-saving investment and the development of other fuels.

If oil price rises were to have a significant effect they would have to be "more than sufficient to offset the erosion of the crude price in real terms which since 1974 has been at least 20 per cent."

There was now a small chance that the severe crisis forecast by some commentators for the late 1980s could be avoided. But there was still an enormous amount ot be done if energy supplies were to be assured.

Sir David outlined five specific areas where action was needed.

- There had to be sufficient oil price increases to persuade countries to invest in alternative energy sources and in energy conservation and efficiency;
- Governments had to avoid overregulation and the terms they set for investors had to be stable and offer reasonable prospects of return;
- A balance had to be struck between environmental concerns and energy development;
- The Organisation of Petroleum Exporting Countries needed economic and political incentives to relax self-imposed oil production limits in the near future while longer term alternatives were developed;
- The U.S. and some other countries had to alter policies which were preventing their oil and gas prices rising to world levels.

Sir David said all these aims would be more easily achieved if there were oil price rises along the lines he had described.

Cheap imports close foundry

A WALSALL foundry is to close with the loss of 84 jobs. The decision to close S. B. and N. at Beesot, which makes stainless steel, is blamed on inadequate profits. The company says it has been hit by the import of cheaper products from the Far East.

Government likely to limit North Sea oil development

BY KEVIN DONE, ENERGY CORRESPONDENT

THE Government is likely to use its powers to control the rate at which North Sea oil reserves are depleted once the UK is self-sufficient in crude oil production.

Dr. Dickson Mabon, the Minister of State for Energy, last night said "it would be remiss of us to develop our limited resources of oil greatly in excess of our national requirements to the point of exhaustion, without having any direct alternative readily available."

H told the Leith Petroleum Club in Edinburgh that the UK would reach net self-sufficiency in crude oil in 1980. Production from the North Sea is now running at about 1.1m barrels a day, and meeting more than half the UK's requirements.

Dr. Mabon spoke of future rates at which companies would be allowed to deplete fields, and emphasised that the Government had given no assurances about fields discovered since the fourth round of licensing.

"We entered into no commitments for subsequent licences."

Limits on possible production cuts were defined, however, for each field when development plans were approved.

The Government's depletion strategy would be based on:

- The rate at which future blocks are licensed for exploration.
- Powers taken in 1975 to cut back production from a developed field and to delay development.
- The granting of 100 per cent licences to the British National Oil Corporation and the British Gas Corporation to find out about reserves before the need for production.

Mr. Anthony Wedgwood Benn, the Energy Secretary, said yesterday that the Government was also pursuing the long-term aim of arranging planning agreements with the oil companies.

The participation agreements on North Sea production completed earlier this year, represented the first stage of this process

SAAB earnings in UK almost double at £19m

BY KENNETH GOODING

SAAB'S REVENUE from car sales and spare parts in the UK nearly doubled to £19.6m in the first nine months of this year, compared with the same period last year, in spite of "only moderate" price increases.

The increase reflects the Swedish group's determined move into the more expensive segment of the market.

The sales value is certain to go on rising fast, because a price increase averaging 4 per cent on the existing 99 series range is now taking effect, while in March next year the UK will get its first supplies of the new 900 series.

Compared with the new prices for the 99 series, which range from £3,842 for the two-door GL model to £7,137 for the five-door Turbo, prices for the 900 series are expected to begin at about £6,000 and progress up to £9,000 for a five-door Turbo.

There has been a shake-up in the management of the UK subsidiary and big changes to the distribution network which are expected to lead to an increase in Saab's car sales this year from 4,845 to 6,300 units.

The target for next year is 8,000 units, compared with a peak of 11,321 units reached in 1973 before the oil crisis.

Saab has terminated ten out of its 11 UK dealerships and taken direct responsibility for distribution. Eight of the distributors remain as Saab dealers, among 186 in the UK.

The company wants another 30 to complete what it considers would be an ideal network.

Arrangements have been made with United Dominions Trust for dealers to have access to the extra stocking finance which will be required when the more expensive 900 series cars begin to arrive.

The company has spent £20m at its main plant at Trollhattan in Sweden on a fully-automated bodyshop for the 900s. This has increased capacity from 100,000 units a year to 120,000 and compares with output of 86,000 last year.

- Mr. Doug Hoyle, Labour MP for Nelson and Colne, said yesterday that Britain's car industry was heading for disaster unless Japanese car imports were strictly controlled. He demanded an end to the "limp" attitude towards Tokyo.

LABOUR NEWS

SU toolmen face call to end 12-week strike

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

LEADERS OF the 32 toolmakers at SU Fuel Systems are expected to recommend an end to their 12-week strike today before winning a penny of their pay demand. "Obviously, we are a little bitter and feel betrayed," one of their leading spokesmen, Mr. Albert Benbow, said last night.

The move follows a decision yesterday by Mr. Roy Fraser's unofficial toolmakers' committee to back down once more from the threatened strike call to BL Cars skilled workers.

Support for Mr. Fraser's militant action in pursuit of improved differentials appears to be crumbling as details leak about earnings levels that might be forthcoming if central negotiations between the unions and company are successful.

The toolmakers failed in four hours of talks in Birmingham yesterday to gain backing for their strike recommendation from the craft committee, another unofficial body claiming to represent 10,000 skilled workers within BL Cars.

Mr. Fraser said that figures had been circulated in a number of factories about possible earnings levels from November 1 tthis year and the strike recommendation had been deferred until the position could be clarified by the company.

Mr. Benbow said reports from the joint negotiating committee suggested that the company was proposing a five-grade pay structure, ranging from £65 per week for labourers up to £84.76 for skilled men.

Discussed

"That is what we have been asking for" Mr. Benbow said. He thought the 32 would accept "reality" and return to work. But if the money was not forthcoming by November 1, they would support an all-out strike by the toolmakers' committee.

The figures cited by Mr. Benbow appear to be those discussed within central negotiations should it prove possible to achieve parity—the same wage for the same job—by November this year instead of 12 months later, as originally planned. At present, the chances of that seem remote.

The company is believed to have made it clear that parity payments would have to be self-financing. At least 7,000 voluntary redundancies would be necessary and management would have to see whether promised productivity improvements were achieved before making the payments.

Talks within the joint negotiating committe appear to be deadlocked with some shop stewards at odds with colleagues and the company about differentials between grades.

The possibility of a breakthrough has been raised by the informal talks scheduled to take place this weekend between senior BL management, shop stewards and national union leaders. The gathering was arranged in the wake of the Peugeot - Citroen takeover of Chrysler in order to discuss the wider issues confronting the UK motor industry.

The informal talks could provide an opportunity to achieve some agreement about the reformed pay structure proposed for BL Cars.

Union low pay plea rejected by Booth

By Nick Garnett, Labour Staff

MR. ALBERT BOOTH, the Employment Secretary, has rejected a request from the General and Municipal Workers Union to intervene in wages council settlements which fix minimum pay rates below the low pay threshold in the Government's Phase Four pay policy.

Mr. Booth replied by letter to the request from Mr. David Basnett, the union's general secretary. He is understood to have said that he was not in a position to intervene in such settlements, and would be willing to do so only if a settlement was outside pay guidelines.

Last year, Mr. Booth stepped in when wages councils fixed minimum rates significantly above Phase Three's 10 per cent, although the councils are, in practical terms, outside the scope of pay policy.

PROVOKED

Mr. Basnett had been hoping that the Employment Department would protest during the statutory period for objections at wages council settlements which the unions considered too low.

The union is expected to issue a new statement on its attitude to low pay. It has already called for sanctions against employers who pay less than £44.50—the low pay threshold in the incomes policy White Paper.

The General and Municipal is also sending unions a white list of hotels and restaurants of which it approves as part of its campaign against the wages council settlement for licensed hotels and restaurants, which provoked the letter to Mr. Booth.

It is thought that the union might attempt to secure improvements in the operations of the Employment Protection Act's Schedule 11 which provides for payment of comparable wages in comparable areas and industries.

Humber workers seek wage talks

FINANCIAL TIMES REPORTER

HULL, Oct. 17.

UNION LEADERS representing the 300 construction engineers working on tbte Humber Bridge are to seek immediate talks over a threatened wage cut unless productivity improves. They want discussions with the Bridge Board, their consultants Freeman Fox and Partners, and the contractors, British Bridge Builders.

The loss of earnings through withdrawal of the hourly bonus, amounting to £50 a week for some men, was threatened by the contractors, British Bridge Builders. They are themselves in conflict with the Bridge Board over productivity.

Certification of work done is being refused, and the Board is withholding nearly £1m as a penalty for failure to reach productivity targets.

The construction engineers at an hour-long mass meeting yesterday decided to acept their union leaders' advice to seek explanatory talks immediately.

The main cause for complaint is that cable spinning is behind schedule. The AUEW, representing the men, blames mechanical breakdowns and bad weather, particularly strong winds, for the delays.

The £68m bridge is two years behind schedule and the opening date is now late next year. The Bridge Board complains that low productivity considerably increases their interest charges.

Girls lose race claim appeal

TWO WEST INDIAN girls who alleged race bias by a computer company employer said coloured girl job applicants could not answer a simple percentage question yesterday failed in a move to re-open their discrimination complaint.

The sum that Mr. Eugene Levine set for job-searching girls was: "What is eight per cent of £100?"

The Employment Appeal Tribunal in London was told yesterday that when asked by a careers officer why he wanted to know if a girl being sent to him was coloured, Mr. Levine replied that all the coloured girls he had seen so far could not answer the simple question.

Mr. Levine told the officer: "Surely there must be some of our own girls who are out of work—there are thousands out of work."

An industrial tribunal at Leeds last January dismissed claims by two of the girls interviewed, Miss Una Dawkins, 18, of Hilton Place, Leeds, that they were victims of unlawful race discrimination.

Of 12 girls seen by Mr. Levine's company, E.M.I. Business Machines (now in liquidation), 10 were coloured.

The appeal tribunal's president Mr. Justice Slynn said arrangements made by the company for seeing the girls were the same in each case. None came up to company requirements, so no-one was appointed to the clerical job on offer. There was no infringement of the Race Relations Act.

Ford stewards reply to pay letter

SHOP STEWARDS at Ford's strike-bound car plant at Halewood, Liverpool, have drawn up a reply to a letter sent by the company to all its employees in Britain after pay t alks broke down last Friday. Copies of the reply will be distributed tomorrow to Halewood's 11,000 production workers when they collect their strike pay.

Mr. Eric Cooper, body stamping plant convener, said yesterday that it would outline the facts and explain what had happened in the negotiations. The Halewood men have already voted to stay out until a satisfactory settlement has been reached.

Offer rejected

MORE THAN 4,000 production workers employed by Scottish and Newcastle Breweries have rejected a pay offer within the Government's 5 per cent guidelines.

Leaders of the Transport and General Workers' Union are due to meet the company later this week to resume negotiations.

Strike goes on

ABOUT 400 inspectors at the Government's Royal Ordnance factory at Birtley, Tyne and Wear, decided yesterday to continue their three-week strike over pay. About 700 of their colleagues have been laid off as a result of the stoppage.

Post Office productivity scheme runs into trouble

BY JOHN LLOYD

THE ATTEMPT by the Post Office to negotiate a productivity scheme for its 400,000 staff has run into opposition from the Union of Post Office Workers in particular.

The opposition comes as the Post Office is putting pressure on the unions to settle on the proposed agreement by the end of the month. The corporation wants the benefits of the scheme to be reflected in the accounts for the present financial year.

The scheme—known as "Overlay" because it will complement existing productivity schemes—discriminates between the postal and telecommunications businesses for all staff beneath top management.

It proposes that workers in the telecommunications business receive a productivity bonus of 2.7 per cent on gross pay (including overtime and other unconsolidated elements), while postal workers receive one of 0.7 per cent.

However, postal workers have a higher proportion of overtime and unconsolidated awards and it is thought that the bonus would be worth about 2 per cent of the average basic pay for them.

The Union of Post Office Workers feels that the differential between the postal and telecommunication businesses is too wide, and that, since the award is a percentage one, it will discriminate in favour of the higher-paid.

The Post Office Engineering Union, while it accepts the level of award, is also unhappy that the award is a percentage rather than a flat-rate one.

Engine winders threaten to stop 10 pits

ENGINE WINDING men are threatening to close down collieries in Notts for one day next week.

A claim for extra shift allowances was rejected by the District Conciliation Board made up of officials from the Coal Board and the National Union of Mineworkers. A Coal Board spokesman said the men at ten pits were planning the stoppage for Wednesday.

The threat comes as miners in Yorkshire are claiming for a 27 per cent rise on their standard bonus payments.

Fire stations in danger

TWO OF the oldest fire stations in Merseyside may have to close down because of manpower shortage. They are the Hatton Garden station in central Liverpool which for many years was the headquarters of the service in the city, and Strand Road at Bootle which serves the north docks.

Mr Sidney Rankin, chief of the Mersey county brigade, has told his committee he will be 400 men short with the introduction of the 42-hour week following the firemen's strike last year.

He says there would be no alternative but to close two of the 32 stations in the county and take 10 pumps off the road. He has guaranteed that engines will still be able to reach fires within the Home Office time limit.

● NEWS ANALYSIS—THE DAILY TELEGRAPH STRIKE

Bankruptcy warning to employees

BY ANDREW TAYLOR

LORD HARTWELL, chairman and editor-in-chief of the Daily Telegraph newspaper group, this week warned employees that bankruptcy could be just around the corner unless a damaging dispute with the group's National Graphical Association print workers is settled soon. The all-important London editions of the Daily Telegraph have not appeared since October 3, though cash is flowing out of the group to pay its journalists and the bulk of its other staff.

Accounts for the year to March 31, 1977, show that Daily Telegraph Ltd.—which includes the Sunday Telegraph but no significant non-newspaper interests—is ont in the finest financial health to cope with the cash flow problems that mount during a prolonged stoppage.

Although the next accounts for the year ending March 31, 1978, should show some improvement, the Daily Telegraph management says that its position has been materially weakened by the stoppage.

True value

The 1977 balance-sheet shows that the group had net debt of £4.1m—including £2.56m of short-term borrowings—against tangible shareholders' funds of only £3.9m.

The latter figure does not reflect the true value of the group's properties. Thes are in the book balance-sheet at £3.8m, but this represents valuations either at cost or at 1960 values which substantially understates their current worth. On top of this, investments in the book at £1.23m were undervalued by around £670,000, according to directors' estimates.

The asset backing of the group, therefore, is stronger than might appear at first glance. All of which would be very helpful in a break-up but not so helpful when it comes to dealing with the immediate problems of cash flow.

Lord Hartwell informed employees that the Daily Telegraph's wage bill is running at about £750,000 a week. On top of this, creditors still have to be paid while sales revenue and, more importantly, advertising revenue is bene lost.

Mr. G. P. Wooley, company secretary, said yesterday that the strike had so far cost the group more than £1m in lost profit. With no money coming into the business, the group has to rely on borrowings if it is to remain in operation and continue to pay wages.

The group's total wage bill in 1977 was almost £14.6m, shared out among an average of 3,266 employees. The group is now under pressure to give more details about its payments to employees following allegations from some journalists—members of the Institute of Journalists—that the group operates a secret pay-roll for some workers. These include some print workers whom the journalists allege receive salaries of £14,500 a year.

The group's problems are made worse by the fact tht—unlike other national newspaper groups which also have oil and other interests—it cannot rely on income earned elsewhere to help it over a sticky period.

Income is almost entirely derived rom Daily Telegraph and Sunday Telegraph business. The latter has continued to publish during the dispute but the group does not reveal what contribution to profits—if any—the Sunday paper generates.

The 1977 accounts for the Sunday Telegraph says: "The whole of the net expenditure is recovered under agreement with the holding company and, thus, there is neither profit nor loss on trading for the year."

Some respite should come when the group completes its sale-and-lease-back of offices at 135 Fleet Street and the newly acquired site at Shoe Lane which was bought from the Liverpool Post and which is being developed.

Terms have been agreed in principle an dshould create a surplus of £5m. However, this money has already been earmarked for the group's plans to introduce new technology which the group estiamted two years ago would cost about £12m.

In any industry strikes and disputes have a major impact on company finances but nowhere more so than in the newspaper industry. Car factories at least can make up lost production with workers prepared to do overtime. When a newspaper fails to print it is very difficult to recover lost revenue.

Telegraph executives point out that, traditionally, about 70 per cent of revenue in a quality newspaper is generated from advertising—the remainder from sales. In a recession, the level of advertising naturally falls and at present the Telegraph estimates that about 58 per cent of its revenue comes from advertising.

In its 1977 accounts, the group reported that disputes during the year had meant the loss of 12m copies, costing the group £500,000 in lost profits.

In recent years the Telegraph group profits have improved after losses of nearly £2m and £1.4m in 1975 and 1976 respectively. In the year to March 31, the group moved into the black with pre-tax profits of almost £760,000 and indications are that next profit figures will be even better.

Overdrafts

The group says that the balance has also improved since 1977 and the next figures should show that bank overdrafts have been reduced from £2.56m to £1.2m.

In addition, the balance-sheet should show net current assets of £2.4m after a net current liability of about £338,000 in 1977. However, these figures were taken before the latest round of industrial disputes hit the Telegraph.

Meanwhile, there are the longer-term considerations that any newspaper faces during a stoppage. Will readers now buying copies of other newspapers to fill-in their breakfast reading return to the fold when the dispute is settled? Equally, will advertisers become disenchanted and look elswhere?

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● MATERIALS

Safety glass plant starts operation

PLYGLASS HAS expanded into the production of flat laminated glass for safety applications in hospitals, hotels, stores, schools and other public buildings, and for security purposes in banks, jewellers' shops, museums and art galleries, as typical examples. Multiple laminations can be produced to resist attacks by firearms. Colour can be introduced in the glass and/or the plastic interlayer to provide a high level of control over solar heat and ultra-violet radiation. Laminated glass also achieves lower noise transmission levels than ordinary or toughened glass of the same total thickness.

A new £1m production facility has been laid down at the Alfreton factory of Plyglass, where it is now coming into full operation.

All the machines, handling and inspection equipment for the new line have been supplied by Tamglass Oy of Tampere, Finland.

The facility has two production lines: one semi-automatic for standard glass sizes and thicknesses, the other a manual production line for variants and short runs of multiple laminations for bullet-resistant panels, armoured vehicle windows and so on.

As raw glass sheets enter the facility the exact dimensions are checked and the material is inspected for quality. Sheets are viewed against a strong light projected through a diagonally lined grid. The resulting pattern reveals whether or not both faces of the glass are totally parallel.

Inspected and approved glass is transferred by vacuum lift and tilting table to be an automatic washing/drying and preparation area before it enters a clinically clean air-conditioned room in which the glass sandwich is assembled.

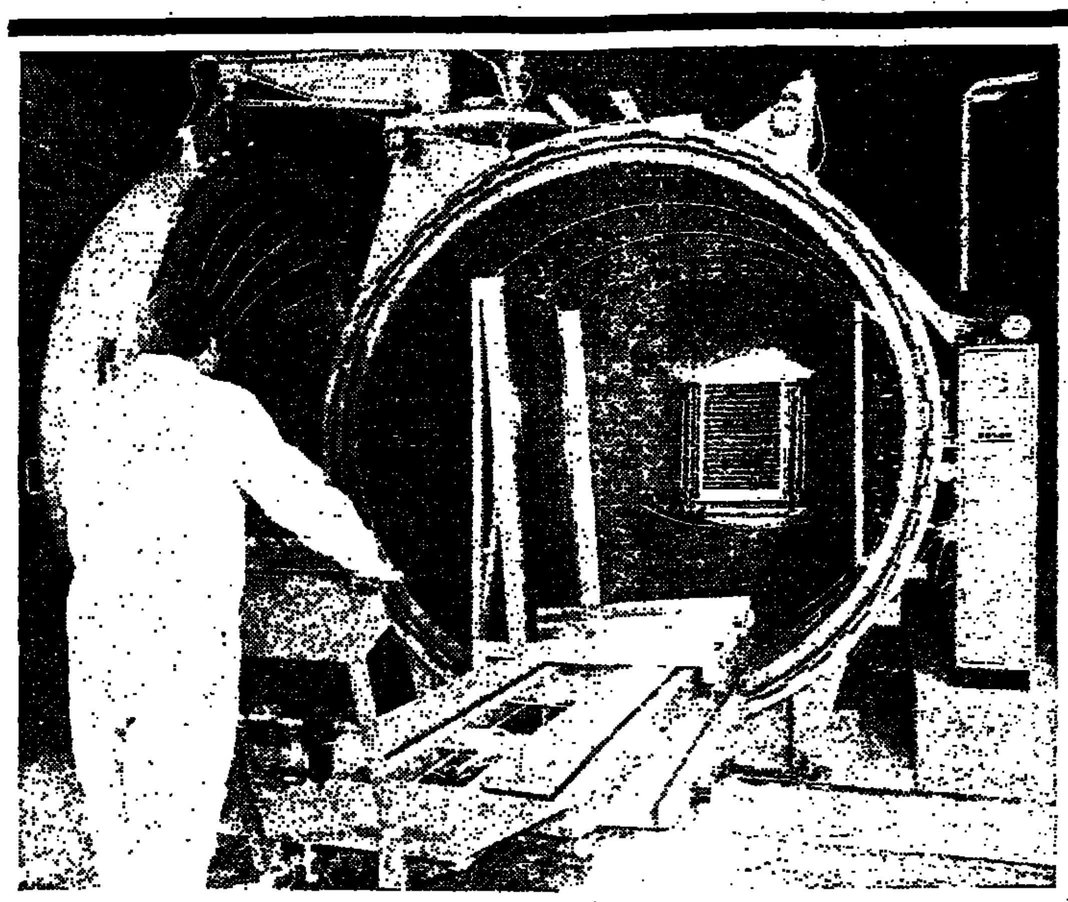
In this room, a polyvinyl butyral film is fed automatically on to the lower sheet of glass. The film thickness can be 0.38 mm, 0.76 mm or multiples depending on the end use of the glass. A three-directional vacuum carrier than positions the second layer of glass on the film to form the sandwich. This system allows assembly of laminated glass, up to 2.5 by 5 metres, without any fingers contacting the components. Plyglass can also produce wired laminated glass in this way.

Any surplus film is then trimmed off and the assembly leaves on a roller conveyor through an air-extraction tunnel. In this unit, strictly controlled for pressure, temperature and dwell-time, any air is removed from the sandwich and it becomes a pre-laminated assembly, sealed and ready for the final operation in the production process.

The pre-laminated glass is transported on a vibration-free air-cushion vehicle to an autoclave for the most important phase of the laminating process. In the autoclave the glass is subjected to an automatically controlled temperature/pressure/time sequence which clarifies and cures the plastic and results in a permanently bonded pane of laminated glass.

The edges of the glass can then be shaped and polished and the pane finally cleaned ready for delivery.

Plyglass, now the UK's largest maker of flat laminated safety glass, operates from Somercotes, Derbyshire. 077-383 3321.



Pre-laminated units are moved to an autoclave on an air-cushion transporter.

● GRAPHICS

French move on plotters

PURSUING French Government policy to penetrate the U.S. market through strategic takeovers, Benson is to absorb that section of the Varian organisation in the U.S. which produces graphics equipment.

In exchange, Varian takes a minority interest in Benson, both transactions being subject to board and Government agreement.

Benson SA claims French and European leadership in graphics products with 80 per cent of the French market, 50 per cent in Europe and holds some 17 per cent of the world market.

Varian Associates, specialists in high technology equipment, is a manufacturer of instrumentation for telecommunications, industry and medicine. Its 1977 turnover was $352m against $341m in the previous year.

However, in 1977, Varian disposed of the major part of its information-systems group—responsible for 14 per cent of turnover—to Univac, leaving the electrostatic printer-plotter section with its $6m turnover more or less high and dry.

The move will take Benson's earnings in this sector up to about $20m annually which places them at around half those of Calcomp. The latter company too has an important French connection since it has an agreement with the SEMS group under which the latter supplies an extremely powerful and versatile French-designed and built mini for use in Calcomp's graphics products world-wide.

Benson Electronics, Bush House, Prince Street, Bristol BS1 4HU, 0272 290651.

● SECURITY

Guardian on the boat

A DEVICE which should reduce boat owners' anxiety about theft from their craft of items such as outboard motors, dinghies and fittings has been put on the market by Gondolastic of Pershore.

The standard unit is supplied with four sensing switches which can be fitted to floorboards, hatches or portable equipment. Optionally however, devices such as pressure mats and roving cables can be connected.

In addition the unit can provide warning about bileg flooding, engine temperature excess, oil pressure drop and low battery voltage. Thus, if there is an engine fault, warning will be given and in the case of bilge water level, a pump can be started automatically.

Loud external audio alarms can also be fitted in conjunction with the burglar alarm.

More from the company at Birlingham, Pershore, Worcestershire WR10 1 BR (0386 750732).

● CALCULATORS

Multi-step program machine

ENTERPRISE programmable is the name chosen for the newest machine from Sinclair Radionics, for which ability to handle programe up to 79 steps is claimed.

It is provided with a three-volume library of 316 routines for use in general finance, mathematics, physics, electronics and engineering.

Eight-digit red display has fully floating decimal point or fixed scientific notation and the usual functions are provided.

Sinclair Radionics, London Road, St. Ives. PE17 4HJ, 0480 64646.

● By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

● INSTRUMENTS

Automatic routine analysis

PHILIPS HAS a sequential X-ray fluorescence spectrometer system that combines research flexibility and the possibility of fully automatic routine operation with price performance that makes it a practical analytical tool, even for small industrial companies.

PW1400, available from Pye Unicam of Cambridge, operates under microprocessor control and has manual controls. All functions are pre-programmable, with simple commands entered via a keyboard printer or VDU.

Modular construction—with a choice of generators, sample handlers, data reduction systems and input/output devices—enables many different arrays to be assembled to meet users' precise needs.

Advances in counting electronics, plus a fast-acting vacuum system and a new continuousfeed sample handling method, give high measuring speeds and sample throughput. Sensitivity and stability are also improved, while internal temperature control enables the instrument to be used without a conditioned laboratory environment. Incorporation into existing laboratories or integrated process lines is facilitated by provision of a universal interface for connection to users' own choice of computer system. Complete software support is available for Philips and DEC mini computers. Other possibilities range from basic print-out of intensities, through connection of a programmable calculator, to on-line linking to a central computer.

Pye Unicam on 0223 58866.

● COMMUNICATIONS

Radio phone for small companies

MOBILE radio telephones designed to improve communication systems for small and medium-sized industrial, commercial and institutional organisations who previous could not benefit from having radio equipped vehicles, have been introduced by Storno of Camberley, Surrey.

Simplicity of installation enables the Home Office approved Stornophone 5000 to be moved easily from one vehicle to another to meet individual operating requirements. This gives an added advantage to oeprators who want their entire fleet of vehicles to have radio communication capabilities, but who may not require all the vehicles to be equipped constantly. It also facilitates routine maintenance, which is simple and straightforward, and ensures that the most efficient use is made of each unit.

It will operate on all UHF and VHF bands and is available with or without selective calling capability and with "pilot" tone facilities compatible with existing Storno radio communication systems. Units equipped for selective calling have a signal lamp to indicate when a call was received while the driver was absent from his vehicle. This informs the driver to call his base immediately upon his return.

All models wil lbe available with 6, 10 and 25 watts transmitting power, but this can be easily adjusted (upwards or downwards) to meet individual user requirements. The units have built-in protection circuits for supply input conditions and transmitter power-output functions.

Storno, Frimley Road, Camberley, Surrey. 01-882 4944.

● ELECTRONICS

Powerful transistor

THE FIELD effect transistor, originally developed for low power signal handling in integrated circuits, has now moved into the high power switching market with the announcement by International Rectifier of a device, fabricated in MOS (metal oxide silicon) that is able to handle over one kilowatt in switching power supply applications.

The company takes the view that in the next few years the power MOSFET will secure a major share of the power transistor market and that other semiconductor manufacturers will now be forced to speed up their own efforts to produce similar devices.

International Rectifier claims that it is "the only power semiconductor specialist to introduce a power MOSFET," and that the power levels achieved are more than double those of any comparable units previously available.

The new devices should make possible a significant reduction in equipment size and give high reliability and efficiency in applications such as power supplies, motor controllers and lighting controllers.

More from Hurst Green, Oxted, Surrey RH8 9BB (01-988 3215).

● RETAILING

Dispenser problem

ONE BRANCH of the Co-op has written to Technical Page concerning a problem of token counting and pre-packing which has, so far, not been solved by existing manufacturers of the appropriate equipment.

It goes like this: the Society sells dairy tokens to customers in its grocery shops. The user puts out the appropriate number each night and the milkman next morning not only automatically knows what to deliver, but also has no accounting routine to perform. At the same time, the number of tokens collected on each round is a close approximation of average needs.

Two sets of the plastics/metallised tokens are issued, to cover changes in milk prices. But only one type is on issue at any one time.

The problem arises when the tokens have to be counted out to meet the customers' requests. Seven and 14 are popular numbers, corresponding to one or two pintas daily. But counting them out manually is time-consuming and a dispenser would be welcome.

Failing this, the Society would like to prepack in multiples of seven or 10. But makers of the relevant equipment say such packs are too small and 30 upwards are what their machines will handle.

Since one token is worth 12½p this means customers would be forced into handing over 30 x 12½p or £3.75, at the least, each time tokens are required.

Any manufacturer who can provide an appropriate dispenser, or a packer which will turn out packs of seven a time should communicate with Mr. Alan Wright, Secretary, Portsea Island Mutual Co-operative Society, 110 Fratton Road, Portsmouth PO1 5DB. Portsmouth 22211.

● SERVICES

Laboratory open to all

THE CONSIDERABLE laboratory facilities of Foster Wheeler Power Products in Hartlepool are to become available to industry on a contract basis.

Areas in which the laboratories are expert include quality control, the assessment of material and product specifications, metallurgical and weld testing, and fuel and water chemistry.

In chemistry, teams are able to carry out conventional wet analysis to any standard method, and also have available atomic absorption and a visible/infrared spectrophotometer: "Parts per million" metallic analysis can be carried out.

Solid or liquid fuels can be assessed in terms of moisture, carbon, hydrogen, nitrogen, viscosity, flash point and other parameters. Analysis is offered of water in boiler and steam generator supplies and pollution investigations can also be carried out.

For metals, the unit can perform tensile, impact and harness testing and also has a scanning electron microscope.

More from the laboratories at Brenda Road, Hartlepool, Cleveland, TS25 2BU (0429 66688).

The Management Page

EDITED BY CHRISTOPHER LORENZ

Selecting and promoting without prejudice

Jason Crisp on a new anti-discrimination code of conduct

A LOT of companies pay lip service to equality of opportunity both for women and for racial minorities. After all, it's 10 years since the race relations act was passed and three since the Sex Discrimination Act.

But as the Institute of Personnel Management points out in a lengthy paper, published yesterday, there is still "widespread evidence of racial disadvantage both in obtaining jobs and in promotion prospects." Similar disadvantages apply to women, it adds especially in management opportunities.

The reason is not that all British employers are misogynists and racialists—although no doubt a good few are—but that by failing to take positive action against discrimination they may inadvertently be encouraging it. The IPM paper points to four main obstacles which need to be overcome in eliminating discrimination in employment:

A lack of will or "laissez faire"; complacency; delaying tactics; lack of professionalism.

It is largely to overcome this last factor that the Institute of Personnel Management has published *Towards Fairer Selection—a code for non-discrimination**: a guide for companies, on recruitment and selection procedures which will help remove unfair discriminatory procedures.

In addition the Institute also recommends that companies adopt a positive programme towards equal opportunity rather than taking a "laissez faire" attitude. Part of that programme should include a policy statement of non-discrimination by top management; where applicable this should be done in agreement with the trade unions. And the statement should be widely publicised through the company, recommends the Institute.

Also companies should introduce effective monitoring arrangements of recruitment policies and procedures based on adequate records so that it can be checked whether the policy is working. And publicity should be given in house journals about the progress of the programme.

On the more contentious issue of "reverse" discrimination the institute warns of the enormous problems and points out that it has caused considerable controversy and bitterness in the U.S.

"Unfair discriminatory acts in the past cannot be remedied by reverse discrimination today nor will this benefit those who seek genuine equality of opportunity as an established way of life in the future," says the report.

The IPM guide offers advice and recommendations in a number of areas of recruitment and selection and points out that by improving these: "We, in order to allay fears, will have gone a long way towards establishing policies which will stand up to scrutiny arising from the anti-discrimination laws."

It ranges from job descriptions and advertising to "unofficial blocks," interviewing and testing. On unofficial blocks the guide warns that some employees may be acting as a barrier to recruitment even though they have no authority. It cites cases where a telephonist told a male applicant that the job was really intended for a woman, and where gatekeepers have turned away black applicants.

"It is important to recognise this potential hazard and to take positive preventative action if accusations of direct discrimination are to be avoided," cautions the IPM. The "key" positions where this may happen are telephonist, gatekeeper, receptionist, personnel secretary, and line manager.

The institute "strongly advocates" the adoption of a system of recording racial or ethnic origin of applicants for jobs. Although the paper acknowledges that this is opposed by some groups on the grounds that it may arouse suspicions of unfair discrimination and may be misused the IPM believes the arguments for records are more persuasive; that it shows up any racial barriers which may exist either through discrimination or in the method of recruitment.

It recommends the Commission for Racial Equality's system of classification and says that wherever possible the co-operation of trade unions should be sought. The best way is to include ethnic origin on the application form, although there should be a note explaining that the information is needed for monitoring purposes and why, says the guide.

One particular problem which companies face, where they may be unwittingly discriminatory, is in assessing overseas qualifications. "Recruiters should beware of automatically assuming that all overseas qualifications, particularly those from underdeveloped countries, are vastly inferior or that certain minority groups tend to claim false qualifications," cautions the guide.

The institute does point out there is a lack of central source of information on this and it suggests that perhaps the Commission for Racial Equality and the Department of Education and Science might consider stepping in to fill this deficiency.

On interviewing, the report warns how fallible a device it is, especially in the hands of the untrained. It therefore urges companies to provide training for all those who have to conduct selection interviews to reduce the effects of "interviewer bias." Only trained interviewers should conduct preliminary selection interviews or "at the very least, no interviews should take place without a trained interviewer in attendance and contributing to the final decision," says the report.

* *Towards Fairer Selection—A Code for Non-discrimination, price £3 plus 30p p&p is available from the Institute of Personnel Management, Central House, Upper Woburn Place, London WC1H 0HX.*

BRUSSELS

New initiative to promote advanced technologies

BY CHRISTOPHER LORENZ

WITH EVERY European government frantically studying the likely impact of new technology and Third World competition on future trade and employment, officials of the EEC Commission have had a golden opportunity this year to revive their clarion calls for cross-frontier co-operation in technologically advanced industries: aerospace, computers, micro-electronics, telecommunications and the rest—hardly a week used to go by without one or more of them being the subject of a call to arms from Brussels.

Yet surprisingly little has been heard from Brussels recently about these "industries of the future"—in public, at any rate.

Public statements, or the lack of them, can be deceptive. It is true that parts of the Commission's industrial directorate have been so over-worked dealing with the "crisis sectors"—including steel, shipbuilding and synthetic fibres—that they have had precious little time to indulge in formulating new proposals for the encouragement of more technically advanced (and potentially employment-creating) industries.

But some members of the directorate are still beavering quietly away at plans for assisting the development of specific growth areas within, for example, computing. If little has been heard of this in the Press, it is partly because officials have now realised that a "softly softly" approach is more likely to win national governments and companies to their cause than the clarion calls which regularly resounded around the Community, apparently to little effect, until a year or two ago.

A new initiative of potentially considerable significance came to public light only last month. Tucked away in the announcement that a "Standing Technological Conference of European Local Authorities" had been established at a meeting in Luxembourg, was a statement that the meeting had been held "within the framework of the Commission's examination of the problems of industrial innovation and innovation policy."

Even for many close observers of the Brussels scene, this was the first indication that the Commission is now thinking of adding a new "horizontal" (cross-sector) element to its efforts to promote high technology, which have hitherto been largely sector-by-sector.

Quantum jump

Provided the Commission can win the support of member governments to the cause of a community-wide innovation policy, the new local authority grouping could become just the first piece in a complicated jigsaw of innovation-boosting initiatives, in some of which—as with the local authority forum—the commission might play a purely advisory role.

The second piece of the jigsaw could fall into place before very long. As the Financial Times revealed on July 31, three of the leading venture capital organisations in the Community, one each from France, Germany and the UK, have approached the Commission for funds to help finance a new joint operation, which would assist small companies to make the quantum jump in development from serving their national markets to going Community-wide.

Though no decision on the approach has yet been made in Brussels, the possibility of some sort of Community initiative to help improve the flow of venture capital in member states—and thereby the foundation and development of small firms—is understood to be one of a number of subjects which have been under discussion for several months between the Commission and experts from member countries' Industry Ministries.

The roots of the present discussions were laid early last year, when the Commission gave Dr. Guido Brunner, the Commissioner responsible for energy, research, science and education, primary responsibility for initiatives on industrial innovation.

Under the coordination of one of Dr. Brunner's senior staff, Mr. Raymond Appleyard, director general for scientific and technical information, a group comprising members from a wide range of Commission directorates was established. In particularly close liaison with the Commissioner for industrial affairs, Viscount Davignon, and his senior officials, the group then prepared a report analysing the problems surrounding industrial innovation in the Community, with suggestions of ways in which it might help.

The report's underlying thesis was that the Community's relatively poor rate of industrial innovation was becoming a matter of urgent concern, especially in view of the slowdown of world economic growth, as well as increasing competition from the Third World in traditional sectors of industry, and from technologically advanced countries in newer products and services.

Waste disposal

The report, produced just over a year ago, underlined the ways in which public authorities influence innovation—not only by their creation of the economic environment, but by purchases of equipment and by general and specific measures to encourage innovation. But it warned that, in some member countries, many existing measures were not consistent with each other, nor mutually reinforcing.

Proposing a wide range of Community initiatives, the report's very first suggestion was for "the aggregation of the most dispersed part of public demand in order to induce industrial innovation: that of the local and subnational regional authorities"—in other words, to pull together a host of often small and disparate markets, in order to increase the economic return for new products.

The report specifically mentioned the possibility of a Standing Technological Conference of Local Authorities, "continuously to study their regulations and needs for new products, processes, and services, to discuss with potential suppliers, to exchange experience of advanced technology, sponsor demonstration projects, etc."

This obviously foreshadowed last month's decision in Luxembourg to establish the new forum, under the chairmanship of Sir James Swaffield, Director General and Clerk to the Greater London Council. The secretariat will be supplied by the Commission, and the conference will meet about once a year. Several specific technical items of common interest were named in Luxembourg — all possible subjects for demonstration projects — including waste disposal systems, pollution monitoring and control, vehicle management and design, and construction techniques.

In all, last year's report by the Commission staff made over 20 suggestions for Community action on industrial innovation. Many were concerned with the need for greater information, both about the detailed factors influencing innovation, and about the flow of relevant information to businesses themselves: improving contacts between buyers and sellers of new technical devices, for example, or assistance in the filing of (especially European) patent applications.

It was as a result of this report that discussions began early this year between Commission staff and experts from member states' Ministries of Industry. It is understood that the participants have now decided to concentrate on the study of about 10 subjects, with a view to making policy recommendations in some cases.

The subjects include: existing and planned national and Community measures; banks' venture capital activities; fiscal practice; flow of technology in and out of the Community; possible co-operative action by small- and medium-sized firms; and that fundamental Community theme, "aggregation of needs and markets."

With the exception of the possible provision of funds for a European venture capital operation, this may all seem pretty low-key stuff. Its significance is twofold: first, that the studies and discussions are being conducted by the Commission and member states in close co-operation, rather than by the Commission in splendid isolation, as so often on other issues in the past. Second, the process of study, consultation and recommendation over the next few years may produce a much greater Community consensus on how to deal with one of the most fundamental strategic questions for the future viability of European industry—how to encourage profitable innovation.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Setting losses against gains

Could you enlarge on the answer under No Tax to Pay (Aug. 9) please, to include the situation where there are losses on some ordinary shares and gains on others? Does one have to set off the losses against the gains and so arrive at a net figure for the gains, although this might be unnecessary, eg, where there would be no tax liability even without the losses. For example, in the case cited, suppose there had been, in addition, losses on the sale of ordinary shares amounting to £400. Would it be obligatory to set this £400 against the £500 other gains and therefore show a total taxable amount of £1,600 only (CGT nil as when the gain was £2,000), or can one elect to exclude this £400 from the account and carry it forward for potential use in later years?

It is not really a question of electing to exclude losses from being deducted in any particular assessment (at least if you are using the word "elect" in its formal sense). The point is whether there is any prohibition on the deduction of previous years' losses where they could have been deducted in previous years' assessments, but were not.

In fact, there is nothing in section 44 of the Finance Act, 1978 (derived from what was originally clause 35 of the Bill) which limits one's existing right under section 20(4) of the 1965 Act to the deduction of previous years' allowable losses "so far as they have not been allowed as a deduction from chargeable gains accruing in any previous year of assessment."

No doubt you saw the correspondence on this point in our columns last year.

Vendor and purchaser

May a solicitor act for both parties, ie, vendor and purchaser, in the sale of property?

The law does not prohibit a solicitor from acting for both vendor and purchaser. However since January 1, 1973 the Law Society has had a rule prohibiting a solicitor from so acting except where both clients are established clients or where the property is of a value not exceeding £1,000, or where the parties are related, or where there is no other solicitor available in the vicinity.

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No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

LOMBARD

Now you see it, now you don't

BY ANTHONY HARRIS

Antidisintermediationism. There is a word for you; and although I just made it up, every alert student of the banking figures will know what it means. It is the acute suspicion and even alarm which fills the young men who write brokers' circulars when they inspect the operations of the Bank of England's corset. The banks are prohibited from expanding their business beyond a certain point; therefore business which used to be done through the banks is now done in other ways. The banking figures are no longer a good guide to the growth of credit.

Now one can understand the frustration of analysts who cannot believe the figures they are shown, and can no longer get at the figures which they think significant; but that is no excuse for exaggerating the problem, or getting the technical analysis wrong. Some analysts are making a great fuss about the growth of acceptance credit, for example; but it is almost ludicrously misguided.

Alternative

It is true, of course, that acceptance credits are an alternative source of finance for companies, and can replace straight loans; so disintermediation will no doubt include the sale of accepted bills to investors, perhaps taking the place of certificates of deposit. CDs held by investors are part of the money supply, acceptance credits are not; so, hey presto, *part of the money supply has vanished.* But what is *not* true is that the published figures for acceptance credits show this process at work. These are the credits held inside the banking system.

But the figures which analysts need to justify a fuss rather than a grumble—company holdings of accepted credit, the size of parallel markets—are not known at all. Indeed, it was because the Bank of England was worried about its ignorance of these figures, as much as because it wanted to shake up the banking system, that competition and credit control was introduced in 1971. The banks were encouraged to win back the lending business and so make it visible.

That is why the corset is so often a subject of satire in this column. If credit demand is being restrained by high interest rates, there is no need for it; but if it is being masked by the banks' efforts to keep within their limits, then the corset abolished credit control just as effectively as it forbids competition. You can't control what you can't measure. The corset is either unnecessary or damaging.

It is a case of either or, though. The corset does not necessarily mean that covert credit creation is going on. That depends on how interest rate policy is being conducted. When money is tight, as Gordon Pepper has shown in a marvellous piece of detective work, the interaction can distort bank liabilities upwards rather than downwards. The fact that you can't any longer trust the published figures doesn't mean that you know what they conceal.

All this is very shocking to the convinced monetarist—or rather to the monetarist who believes that Sterling M3, that peculiarly British measure, is a uniquely significant measure of the money supply. How much does it matter, though, to the practical man? Not as much, I fancy, as the current fuss would suggest.

Consider one detail first. The big "distortion" is likely to be the replacement of non-banks holdings of CDs with other assets. But does this really matter? It is at least arguable that CDs should never have been included in the money supply in the first place, if you are interested in measuring liquidity. They can only be spent by selling them to someone else with liquidity to spare. And certainly if CDs are money, so are Treasury Bills. One might re-christen them Bank of England CDs and be done with it.

In short, it is not clear that the new "distorted" measure of money is any more misleading than the old undistorted one.

Gilts market

More broadly, it must be stressed that the distortions apply almost entirely to M3, and not to any narrower measure of money, such as is used in every other country with a monetary policy. M3 is a reasonable measure of the banks' lending capacity—what the Americans call a bank credit proxy—and was invented basically to check on the Government's progress in funding the necessary proportion of its own borrowing. Its importance is to the gilts market.

Unfortunately it is a rotten measure of liquidity and, what is more important, it tends to rise sharply when you drive interest rates up. The whole corset nonsense was only necessary because we have an M3 policy instead of a monetary policy. If we also looked at M2—a much better measure of liquidity—and M1, the best guide for money interest rates and the exchange markets, we might be able to run a less distorted system. And, not the least of the blessings of such a change, antidisintermediationists would shut up.

A touch of autumn blues

GARDENS TODAY

BY ROBIN LANE FOX

AS THE leaves turn, these clear days and cool nights are ideal for the colours on our few remaining trees. The sugars in the leaves, cut off now from the main circulation of sap, respond to them by blushing a bright red or orange. There can never have been a better year for the brilliant reds in the flowering cherries and the sorts of garden crab-apples now sold as *Bonfire* and so forth. But it is still a season for flowers, the best of which are the equal of anything in the year. Reds and yellows are the dominant colour for most gardens in October. But blue, oddly, is at its best, clearer and purer in some of our late autumn flowers, none of which, if possible, ought to be ignored.

Taking my leave recently of two fine overseas gardeners, I made the usual noises about the pleasures of seeing "the fall back home." No, they replied, the fall was not what they most wished to see. They would turn first to their beds of plumbago in France and America, a blue carpet under last spring's white and primrose-yellow azaleas.

If you are starting a new garden or wanting to brighten the sunny front of your house, you would be wise to follow their priorities. The best plumbago, as we know it, sells correctly as *ceratostigma willmottianum.* It has a fine story to it and a claim to be the most beautiful addition to our gardens this century. Along the banks of the Min River in western China, this brilliant blue flower was first found by G. F. Wilson in 1908. It had spread into thick clumps all over the sides and lower slopes of this dry and inhospitable gorge, lighting it up each autumn as if true blue speedwell had suddenly settled on the dry craters of the moon. No doubt it still grows there, blue and unseen since 1908: one of the most entrancing lost landscapes in the botanical world.

Seeds were shaken off the bushes and brought home. Only two germinated, in the Essex garden of the formidable Miss Willmott after whom they were named. From these two plants all our stock nowadays is almost certainly derived. *Ceratostigma,* in fact, will multiply very easily from cuttings taken between late-July and mid-September. A branch or two would have been a better collection from the Min Valley. When you see it this month, three feet high and set with those marvellously hard and clear cobalt blue flowers, to which the late autumn butterflies, the Red Admirals and harmonious Painted Ladies, are drawn, you are sure to want it for yourself.

It is easily pleased. As in China, it likes to be dry. It must have a sunny place, enjoying the foot of a south or west wall. Mercifully, it is happy on lime. By late November it will look wretched. The wiry stems are browned by the frosts and you will wonder what to do with them. Do not cut them down. Tolerate them until mid-April, like the stems on a fuchsia, as they will help to protect the main plant if the frost is very sharp. If you cut them back too soon, you will hasten the young growth from the base in the first mild spell in early spring. A later frost can hit this too hard. Quite possibly, new young shoots will already be appearing all over the old stems by the time you come to cut them back. If they bother you, prune lightly and you will do no harm. But they will appear again from the base if you cut them hard.

In most gardens, two bushes of *Willmottianum* will go far enough. You have to wait until September to see why you planted them, and you have to leave them a wide space. I like to interplant them with late tulips which flower before the bushes have spread widely. That does something for their earlier appearance. The pink nerines, of course, are a fine colour-comparison later in the year and as bulbs, they, too, will fit in well beside it. They enjoy the same dry place below a wall.

For my foreign gardeners, plumbago, I suspect, may have come in a smaller carpeting variety. *Ceratostigma Plumbaginoides* is often sold in this country, too, but I have never had much joy from it. It ought to be so good, about a foot high, bright and clear blue above a mat of leaves which runs far and wide. When you plant it, it will often refuse to expand for a year or two. Then, suddenly, it is off and away. At this point I long to be rid of it. In most English gardens I suspect that it never finds enough warm sun during a long season and thus flowers sparsely. Its leaves turn a charming shade of red, but are not enough by themselves. In France or America it is a splendid edging plant, under roses or along beds of shrubs. But I cannot recommend it here unless you are stuck with it already. So be warned.

Keep, then, to the bigger blue semi-shrub and be glad of it. Blue plumbago, blue autumn crocuses, not least plain old *Speciosus* with its bright orange centre: autumn, if you choose your flowers, is not a season of only yellows, rust-reds and falling orange leaves.

Henry Cecil can bring trainers' title nearer

RACING

BY DOMINIC WIGAN

HENRY CECIL'S search for winners continues, and the Warren Place trainer is probably hoping for at least one success at Haydock today to take him nearer the 120 mark for the season.

Here I expect to see the champion trainer-elect score with both Etoile des Indies in the seven-furlong Maple Nursery and with Sister Connie in the furlong longer Chestnut Maiden Stakes, 90 minutes later.

Mr. Louis Freedman's chestnut Kashmir II colt, Etoile des Indies, whose dam Star Court is a half-sister to both Owen Dudley and Abwah, has already contributed two wins to Cecil's current haul of 103 successes. The easy odds-on winner of a maiden event at Warwick in July, Etoile des Indies then followed up with a less comfortable Wolverhampton success over Dismantler.

Although he has since failed to score, the Warren Place has been tackling useful company and it will be disappointing if he cannot shrug off the steadier of 9st 7lb against what appears to be a field of otherwise moderate performers.

Sister Connie, another well-bred sort, being a full sister to Connaught, who would probably have run out a comfortable winner of most Derbys, need only improve on the promise she showed at Newbury early in the summer to account for the disappointing Salamis in the maiden event. Here, greater threats could come from Canyon Ride and Gilt. The first-named is an improving sort from Ian Balding's Kingsclere stable, which often throws up a good-priced winner here; while the Barry Hills-trained Gilt is by Majestic Prince out of Clear Ceiling, a full sister to that great champion, What A Pleasure.

Although the five-furlong Walnut Stakes has attracted only seven runners, it may produce the day's most interesting race. Latest Model will be trying to concede 10lb and 13lb to Future Forest and Amaranda respectively. The Harry Wragg-trained Amaranda, rated by her handler as the fastest filly to have been in his care, is not the force she was, and I intend opposing her with course-and-distance winner Future Forest, reportedly back to his best.

Turning to the jumpers, it could again be a story of the leading stables dominating at Wetherby, where I'm A Driver, Laen, Cumbria and Lord Greystoke appeal as likely winners for Tony Dickinson, Denys Smith, Arthur Stephenson and Gordon Richards respectively.

HAYDOCK
2.00—Prince Of Arabia
2.30—Detoile Des Indies**
3.00—Future Forest
3.30—Haddfan
4.00—Sister Connie*
4.30—More Pleasure

WETHERBY
2.15—Sovereign's Jubilee
2.45—I'm A Driver
3.15—Laen
3.45—Cumbria***
4.15—Lord Greystoke
4.45—Romany Light

Higher-rent council homes call

HOMES AT higher rents for people with higher incomes are being recommended to the Greater London Council's housing management committee in a report out tomorrow.

Rents for the homes could be from one-third to two-thirds higher than normal and would reflect improved amenities. If approved, the scheme could be introduced in areas such as Thamesmead and for some of the 300 homes on a new development at St. Katherine's Dock, Tower Hamlets, subject to discussions with the borough council.

Higher rents have been agreed for a pilot scheme for two tower blocks on the Lincoln Estate, Tower Hamlets, which are to have improvements ranging from telephone entry controls and a new heating system to carpeted corridors. Families with young children will not be considered for the flats, and dogs will be banned.

SALEROOM

BY ANTONY THORNCROFT

Volume of 16th century woodcuts makes £19,500

SOME exceptional prices were paid at a Sotheby's printed book sales which totalled £300,901 yesterday. The top price of £19,500, from Breslauer, a New York dealer, was for one of the books which Sotheby's acquired in the Honeyman Collection.

The auction house paid well over £1m for the collection of mainly scientific work, which will be sold over many years. Its purchase has aroused opposition because of Sotheby's dual role as both vendor and auctioneer.

The non-scientific books were sold yesterday, and Breslauer acquired a first edition of a 1517 woodcut book, by Pfintzing, "Teurdanckhs," which contains 118 large woodcuts.

La Fiera del Libro, an Italian dealer, gave £12,000 for La Borde and Zurlauben's Tableaux, etc., de la Suisse, with many plates (the property of the Duke of Northumberland); and Ad Orientum paid £11,000 for Views of the Chinese Imperial Palaces, by Ripa, with 32 plates, the first to be printed in China.

Christie's, South Kensington, completed the sale of the contents of Swithland Hall, Loughborough, by order of the Earl of Lanesborough. Monday's total was £43,546, and yesterday a pair of George III rosewood card tables doubled their estimate at £4,000 and a local dealer paid £3,200 for a pair of Louis XV giltwood fauteuils.

At the saleroom in South Kensington, a sale of jewellery brought in £19,602.

At Harmers, four stamps that postmasters in Bermuda produced locally between 1848 and 1861 sold collectively for £111,000 yesterday. The top price was the £32,000 for an 1853 1d provisional made from a post mark and signed by W. B. Perot, the postmaster of Hamilton.

Christie's icon sale produced £177,285, with a very good price of £13,000 for a St. Demetrius of Thessalonica, a Macedonian icon of the 17th century.

TV/Radio

† Indicates programme in black and white

BBC 1

6.40 am Open University (Ultra High Frequency only). 9.15 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Over the Moon. 2.01 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Wally Gater. 4.25 Jackanory. 4.40 Animal Magic. 5.05 John Craven's Newsround. 5.10 Touch and Go.

5.10 Ivor the Engine.

5.40 News.

5.55 Nationwide (London and South-East only).

6.20 Nationwide.

6.50 It's a Knockout.

8.05 Secret Army.

9.00 News.

9.25 The Fall and Rise of Reginald Perrin.

9.55 Sportsnight.

11.20 Tonight.

12.00 Weather/Regional News.

All Regions as BBC 1 except at the followin gtimes:—

Wales—10.00-10.20 am I Ysgolion. 2.18-2.38 pm I Ysgolion. 5.10-5.35 Bilidowcar. 5.55-6.20 Wales Today. 6.50 Heddiw. 7.15 Pawb Yn Ei Fro. 7.40-8.05 Tomorrow's World. 12.00 News and Weather for Wales.

Scotland—11.00-11.20 am and 2.18-2.38 pm For Schools. 5.55-6.20 Reporting Scotland. 12.00 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 9.25-9.55 Spotlight on people in Northern Ireland. 12.00 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

6.40 am Open University.

10.35 Gharbar.

11.00 Play School (as BBC 1 3.55 pm).

11.25 Open University.

5.20pm Open University.

7.00 News on 2 Headlines.

7.05 May I Have the Pleasure?

7.30 News on 2.

7.35 One Man and His Dog.

8.05 Gardeners' World.

8.30 The Money Programme.

9.00 M*A*S*H.

9.25 Play of the Week.

11.00 My Kind of Movie: Anna Raeburn on "Citizen Kane."

11.05 Vanessa Redgrave: a look at her career, with illustrations.

11.40 Late News on 2.

11.55 Closedown (reading).

LONDON

9.30 am Schools Programmes. 12.00 The Adventures of Rupert Bear. 12.10 pm Pipkins. 12.30 Sounds of Britain. 1.00 News plus FT index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon. 2.25 Marriage Guidance. 3.20 The Rolf Harris Show. 3.50 Tell Me Another. 4.20 The Sooty Show. 4.45 Shadows. 5.15 Batman.

5.45 News.

6.00 Thames at 6.

6.25 Help!

6.35 Crossroads.

7.00 Lingalongamax.

7.30 Coronation Street.

8.00 The Morecambe and Wise Show.

9.00 Born and Bred.

10.00 News.

10.30 Mid-week Sports Special.

11.40 Late Night Theatre.

12.35 am Close: A Pre-Raphaelite painting accomanied by the music of Brahms.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 pm Anglia News. 2.00 Houseparty. 3.20 The George Hamilton IV Show. 5.15 Mr. and Mrs. 6.00 About Anglia. 11.30 Chopper Squad. 12.25 am The Big Question.

ATV

1.20 pm ATV Newsdesk. 3.25 Comedy Break: Gold is Where You Find It. 5.15 You're Only Young Twice. 6.00 ATV Today. 11.40 Ghost Story.

BORDER

†1.20 pm Border News. 2.00 Houseparty. 3.20 Second City Revue. 5.15 The Flintstones. 6.00 Lookaround Wednesday. 11.40 Power Without Glory. 12.35 am Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's On Where. 3.25 Winter Is. 5.15 Emmerdale Farm. 6.00 Channel News. 6.10 Ladies First. 10.28 Channel Late News. 11.40 S.W.A.T. 12.30 am News and Weather in French, followed by Epilogue.

GRAMPIAN

9.25 am First Thing. 1.20 pm Grampian News Headlines. 3.20 The Rolf Harris Show. 5.15 Emmerdale Farm. 6.00 Grampian Today. 10.30 Columbo. 12.05 am Reflections. 12.10 Grampian Late Night Headlines.

GRANADA

1.20 pm This is Your Right. 3.20 Stars on Ice. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Mr. and Mrs. 11.40 Bluey.

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 2.00 Help Yourself. 3.20 The Electric Theatre Show. 5.20 pm Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Emmerdale Farm. 7.00 The Quiet Ways of Wales. 11.30 The New Avengers.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 4.20-4.45 'Rydw' I am Fod. . . . 6.00-6.15 Y Dydd.

HTV WEST—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

1.25 pm News and Road Report. 2.00 Women Only. 3.20 The Electric Theatre Show—Donald Sutherland. 5.15 Batfink. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Report. 10.30 Late Call. 10.35 Feature Film: "Return of the Gunfighter."

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 3.20 Tandarra. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day by Day. 6.35 Scene Midweek (South East area only). 11.40 Southern News Extra. 11.45 Shannon's Mob.

TYNE TEES

9.25 am The Good Word, followed by North East News Headlines. 1.20 pm North East News and Lookaround. 2.00 Women Only. 3.20 Survival. 5.15 Happy Days. 6.00 Northern Life. 11.40 George Hamilton IV. 12.10 am Epilogue.

ULSTER

1.20 pm Lunchtime. 3.20 The Electric Theatre Show. 4.18 Ulster News Headlines. 5.15 Cartoon. 5.20 Crossroads. 6.00 Reports. 6.35 The Bob Newhart Show. 11.30 Look and See. 11.45 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 3.25 Winter Is. 5.15 Emmerdale Farm. 6.00 Westward Diary. 10.28 Westward Late News. 11.40 S.W.A.T. 12.30 am Faith for Life.

YORKSHIRE

1.20 pm Calendar News. 3.20 Stars on Ice. 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 11.40 Oscar Peterson Presents . . . Cleo Laine and Johnny Dankworth.

RADIO 1 — 247m

(S) Stereophonic broadcast
‡ Medium Wave
(B) Binaural Broadcast

RADIO 2 — 1,500m and VHF

RADIO 3 — 464m, Stereo & VHF

RADIO 4 — 434m, 330m, 285m and VHF

BBC Radio London — 206m and 94.9 VHF

London Broadcasting — 261m and 97.3 VHF

Capital Radio — 194m and 95.8 VHF

F.T. CROSSWORD PUZZLE No. 3,799

ACROSS

1 Fat and having everyone in haul (6)
4 Article in flight seen through a window (8)
9 Assemble gun going to female (6)
10 Good French polish put round lower half of leg (4-4)
12 Found encircling nasty bog and unable to travel because of the weather (8)
13 Money-bag right for ship's officer (6)
15 Stake in elephant enclosure (4)
16 Vanity could make the Times go wrong (7)
20 Ethically, doctor must start to recover (7)
21 Has she nothing to fit the legend? (4)
25 Trembling like swimmer (6)
26 Alienate Oriental with unusual following (8)
28 Jump? Yes, right! But not every year (4-4)
29 The way to bore a flower (6)
30 Tear round the team at home (8)
31 Entreaty for each accepting fish (6)

DOWN

1 Sporting competition for naval vessel? (3-2-3)
2 Having kindled one crowd, go to court (8)
3 Shakespearean king could be no bore (6)
5 Airman he follows in pain (4)
6 Left to suffer pain and become depressed (8)
7 Grumble about game (6)
8 They accept gold in speculation (6)
11 A rag man is an example of it (7)
14 Most trite stories in the street (7)
17 Bird looked awry (4-4)
18 Court risk on railway (8)
19 Soldiers believe with hesitation a rescuer (8)
22 Ringing visitor (6)
23 Listen on board to the clippers (6)
24 Old car gets right into a hole in the road (6)
27 Give notice of conflict to the north (4)

SOLUTION TO PUZZLE No. 3,798

Across: PALLET, ABLOOM, MACADAM, FREESIA, JOIN FORCES, MOOT, LARVA, LEMONADE, HINDHEAD, LIVER, AWAY, BOWLS ALONG, ESTATES, MALARIA, ENTIRE, MEANIE

Television

The BBC plays its joker

by CHRIS DUNKLEY

For sheer Machiavellian cunning you have to hand it to the BBC. Somehow they have managed to get everyone inside the world of broadcasting, and even a few outside, to rush around arguing about questions such as these:

Will Bruce take the Saturday audience with him to ITV's hopefully entitled *Big Night* or will they stay loyal to the old *Generation Game* under its new host Larry Grayson? Or watch both?

At nine o'clock will viewers stick with the cynical but oddly attractive, wise-cracking, crime-busting, machismo duo *Starsky and Hutch* as they go vroom vroom through piles of cardboard cartons: or will they switch to the cynical but oddly unattractive, wise-cracking, crime-busting, machismo duo in *The Professionals* as they go vroom vroom through disused warehouses in the London docks?

Will a whole new generation want to watch old timers Jimmy Edwards and Charlie Drake on ITV as they re-hash the material first used in The Glums and The Worker to amuse their parents all those years ago, or will they prefer *Little And Large* on BBC1 however desperately over-stretched Syd Little and Eddie Large appear to be after about 10 of their 30 minutes using material which looks as though it came straight from a talent contest at the Goat and Compasses?

Will ITV's new American import *Twist In The Tale* steal the audience from *Match Of The Day*?

Will the chatty magazine-format *Saturday Night People* take the logical course and simply change its title to *Terra Firma*? Does it stand a chance of seducing a single viewer away from *Parkinson* anyway?

And so on, with every successive problem coming back in the end to the same underlying question: who will win the great Saturday night ratings battle? But what (I hear you cry) is so Machiavellian about that?

To appreciate the cunning you need first to realise that, as common sense suggests, total peak-time audiences on Saturday nights, are not larger than, or even equal to, those on other nights, but actually rather smaller than average. Though larger numbers than usual are viewing very early and very late on Saturday evenings, in the hours that matter, between 7.30 and 9.30, there are fewer than usual, doubtless because Saturday is the traditional night to pop out to the pub, the pictures, or the Palais.

So ITV and the BBC are fighting their famous battle not over the week's biggest-peak-time audience, but over the smallest. But again, where is the cunning in that?

It lies in the differences between ITV and the BBC. It is in the BBC's interest to win or draw (or even to lose, provided the loss is narrow) a regular, heavily publicised, ratings contest. The prize is propaganda to reinforce the BBC's continued claim to the licence fee which they currently want raised from £21 and £9 for colour and monochrome respectively to £30 and £12. They feel they need to attract about 50 per cent of the audience to justify that claim.

Obviously ITV are equally keen to win the battle for viewers, because the higher their ratings the higher they can pitch their advertising rates. Surely it is cunning of the BBC to manoeuvre ITV into competing so hard over the week's smallest aggregate peak-time audience since it is proportions which matter to the BBC but actual figures which matter to ITV.

Most Machiavellian of all, however, is the BBC's choice of night (and the BBC did choose it, back in the days when BBC 1 was controlled by Bryan Cowgill who now runs Thames TV). Saturday night, as any advertiser is only too acutely aware, is the one night of the week which is followed by an entire day of closed shops.

Thus the BBC has managed to inveigle ITV into expending all this much publicised effort not only on the week's smallest audience, but on the very night when advertisers least want to buy time.

Ten years ago Peter Montagnon produced a series for BBC television and in the serious programme business nothing has been quite the same ever since. The broad concept was simple: a single urbane and personable presenter with a wide and deep knowledge of his subject and a flair for the didactic would be enabled, in a series of 13 elaborate 50-minute programmes, filmed on a world-wide series of locations, to convey his view of one of the major attributes of mankind.

The presenter was Kenneth (now Lord) Clark, the subject was fine art, and the series was, of course, *Civilisation*.

That it became one of the all-time smash hits of serious television is now a matter of history: it was not only admired, applauded, and repeated in this country, but did much to establish Britain's reputation as the leading purveyor of quality television to the rest of the world.

The BBC was naturally keen to repeat such a magnificent achievement and a few years later Adrian Malone, Dick Gilling, Mick Jackson, David Kennard, and David Paterson helped the late Jacob Bronowski to follow Clark's triumph with *The Ascent Of Man*, which dealt with the history of science.

Some said that this failed to match Clark's victory, but *Civilisation* and *The Ascent Of Man* seem to me to stand as twin pinnacles of success. The trouble is that having made two such tremendous series, the BBC and its producers will insist on continuing to use the formula even when the law of diminishing returns sets in.

In *The Age of Uncertainty* Malone and Gilling moved on to economics and, while J. K. Galbraith proved an impressive enough presenter, the series suffered from too many clockwork cornfields. Last year Montagnon turned to religion and mounted *The Long Search* which set out to ask questions rather than answer them, an exercise which may be morally admirable but is not very satisfactory as the basis of 13-part filmed blockbusters.

Last night BBC1 broadcast the first of another series produced by Mick Jackson and David Kennard called *Connections* and this time the subject is technology — or perhaps "inventions" would be more accurate —and the presenter is James Burke.

It looks to me, after previewing last night's episode and three others, like a bright, colourful, sometimes ingenious and often entertaining series, reminiscent of Burke's 1976 programme *The Inventing of America*. There are many odd snippets of knowledge to be gleaned from it: how a water clock works, for instance, or the way in which castle design changed to deal with gunpowder and cannon balls.

Yet Burke's inexhaustible supply of boyish glee (often expressed in a peculiarly boyish vocabulary: "water power coming out of your ears" and "going bananas" are favourite phrases) is really no sort of substitute for the entire lifetimes of consideration, deliberation and sheer thought which so clearly underpinned Clark's and Bronowski's series and gave them their power of insight.

If Clark and Bronowski tended to sound a little like professors, Burke sounds more like the student teacher who is just one chapter ahead of you in the text book.

More important, however, than any personal characteristics is a failing of the series as a whole: it is over contrived. It looks, throughout the episodes I have seen, as though the makers first hit upon some modern chunk of technology, then thought back through all the previous inventions and discoveries necessary to its development, before putting the process back together the other way round and forcing their trail back to the modern item via all the most obscure by-ways possible, solely in order to make each programme a "detective story."

There is little difficulty in hacking a part from "frilly knickers" (however doubtful the very existence of such garments in the 15th century) to computers. The trouble is that by the same token any two arbitrarily chosen artifacts in history can be connected:- the woodman's axe and the moon rocket for instance (oak timbers, ships, American colonists etcetera). Try salt and the Manchester Ship Canal, using Roman soldier's pay as a hint. Or a wooly mammoth trap and an off-shore drilling rig with no hints.

Such tortuous contrivances have two unfortunate effects. First they often appear to be designed to score points off the viewer — never a good idea. Second, they frequently focus attention on the programme's technique and overshadow its content.

Thus the *Survivors* style disaster scenario in last night's programme, with Burke wandering among a collection of "abandoned" cars on a motorway, achieved the opposite of its supposed object. Instead of presenting a dramatically convincing scene of chaos it all looked so carefully arranged (why should *everyone* fleeing an urban disaster leave bonnet, boot and all four doors open?) that one's attention was diverted entirely to wondering who had created this phoney set up and where and how. All Burke's words were lost.

None of which is to suggest that the *Civilisation* formula can never be used again; perhaps David Attenborough's massive 13-part series on the history of evolution, *Life On Earth*, due in January, will deserve to stand alongside Clark's and Bronowski's series. *Connections*, I am afraid, does not.

Patricia Brake, Ian Lavender and Jimmy Edwards as The Glums

Aldwych

The Changeling

by B. A. YOUNG

Three pages of the programme are given to descriptions of madness, one to an engraving of the scene in Bedlam from Hogarth's "Rake's Progress." As far as I can see, Middleton and Rowley's great tragedy is not about madness at all, though it introduces scenes in a madhouse to provide an interesting location for two amorous young men to disport themselves in, and brings a party of lunatics to Vermandero's court to dance a madman's morris at his daughter's wedding. The asylum only plays the same part in the play as the ballet in an opera.

Yet Terry Hand's production seems "as if his wisdom had found a mirth in madness." The arrival of Alsemero at the start has a twirling and dancing train of attendants, and Alsemero's friend Jasperino seems near to a song and dance before he speaks his first lines. The audience has by then been conned into the belief that they are seeing a comedy, and giggle happily at such neutral scenes as Vermandero's acknowledgement of an old friendship with Alsemero's father.

The Changeling is a dangerous play to treat like this, for many lines can be made to raise a laugh instead of raising a chill. The villainous De Flores, like many another Jacobean villain, must spend much time pretending to be honest in front of those who are not privy to his wickedness. Emrys James, his left cheek covered wih suppurating sores, speaks some of these lines as if he were playing in a Victorian melodrama. "Ha ha, me proud beauty!" you can image him saying as he reveals to Beatrice-Joanna that his fee for having murdered her fiancé is a fate worse than death.

Granted that this is how Mr Hands wants the play interpreted, it is done competently enough, with a handsome set in blood-red leather by Judith Bland. Characters whose qualities are honest and straightforward are honestly rendered; Julian Glover is a handsome and dignified De Piracquo, and it is a shame that De Flores should murder him so soon; James Laurenson, his successor as Beatrice-Joanna's intended husband, displays what Newbolt calls a "stately Spanish grace." Diana Quick as Joanna is pretty but in no way evil.

Things are not so good on the moral touchline, save for Barrie Rutter's half-tough, half-sympathetic asylum-keeper and Jill Baker's lecherous lady of the bedchamber, Diaphanta. Arthur Whybrow's mad-doctor makes so little impression that his final reconciliation with his characterless wife (Charlotte Cornwell) goes for nothing; and John McEnery and Stephen Jenn do no more than raise the pitch of their voices to indicate insanity.

Some impressive stage-pictures now and then to show how splendid the production could be, played otherwise—guests at supper upstage while Piracquo is murdered downstage; De Flores and Joanna copulating centre-stage while the search for Piracquo goes on all round them. The full close at the end is spoilt when Alsemero, saying "Sir, you have yet a son's duty living," goes to his knees in front of Alibius the mad-doctor, leaving Vermandero to extricate himself from the crowd further back.

Leonard Burt

Emrys James and Diana Quick

Albert Hall

Cologne Radio Symphony

by DAVID MURRAY

The Goethe Institute's special series of cultural events, "London-Berlin: the Seventies meet the Twenties," is underway. The most ambitious single event took place on Sunday, when with the collaboration of the English Bach Festival Trust and the Westdeutscher Rundfunk the Cologne Radio Symphony Orchestra was brought to London for one concert. Strictly speaking, neither the Seventies nor the Twenties figured in it—Bernd Alois Zimmermann's opera *Die Soldaten*, from which we heard a "vocal symphony" suite, is nearly 20 years old and Stravinsky's *Rite of Spring* is 65.

The concert was not less interesting on that account. Zimmermann's opera has not yet had a British production, though it was seen at the 1972 Edinburgh Festival. The Vocal Symphony drawn from it served the same introductory function as Berg's Suite from *Wozzeck*; in 1963 it paved the way for the opera, which had its stage premiere in Cologne two years later. Even in these concert extracts the music makes great demands — an enormous orchestra, six vocal soloists and much extra percussion (stationed strategically about the Promenade on Sunday). Except for the opening Preludio, a menacing wall of sound erected over pounding timpani, the suite represents the furious epic side of *Die Soldaten* (The Soldiers) less than its lyrical passages. Hence the six singers (as against the single soprano of the *Wozzeck* Suite), who perform three major scenes from the opera.

Cologne brought a remarkably accomplished sextet. Edith Kertesz-Gabry's volatile coloratura, Anton de Ridder's drily elegant tenor and the full, subtle bass of Harold Stamm (of whom much more will surely be heard) carried the principal parts; Gwendolyn Killebrew displayed a penetratingly clear deep contralto, too, and Barbara Scherler and Claudio Nicolai maintained the high standard in smaller roles.

The conductor Hiroshi Wakasugi balanced his large forces scrupulously, and his clean-edged account of the score had much sensuous allure as well as properly shattering climaxes. Like *Wozzeck*, Zimmermann's opera is constructed partly upon old forms—the suite includes a ricercare and a chaconne—which hardly make themselves felt as such; there are superimposed borrowings, too, like mild jazz and a chorale (as in Berg's violin concerto). The music is tightly knitted, from an analytic point of view, though Berg's symphonic impetus and breadth are hardly to be detected in it—perhaps the full musico-dramatic panoply needs to be unfolded for a comprehensive shape to emerge strongly.

Wakasugi's performance of the Stravinsky *Rite* persuaded one that the Zimmermann must have been finely prepared: I have heard *Rites* with more violent nervous impact, but few so lucid and so seductively musical. The Cologne Radio Symphony displayed a beautiful command of the music; the elemental tunes of the score underpinned it like ancient, impassive chants.

Elizabeth Hall

Consortium Classicum

by NICHOLAS KENYON

The 'Seventies missed the Twenties by a long way on Monday night, in the contribution of the German wind ensemble Consortium Classicum to the Goethe Institute's extensive programme of cultural events. Only one piece celebrated the 1970s, and that not very decisively: *Dezett 1977* by Helge Jorns turned out to be an unobjectionable piece of trivia for this talented octet plus flute and double bass soloists. Obsessed by a couple of unison fragments—the first, marked *Initio Lamento*, slow and striving; the second, comprising the *Finale e Appendix*, perky and angular—it did little with them except repeat them vigorously in the various widely-spaced registers provided by its solists.

The 1920s were overlooked altogether in favour of Mozart's great C minor Serenade, and two works which the leader of the group (Dieter Klöcker, obviously paying homage to the Pope by describing himself as *primus inter pares* while putting his name first on the list of participants) had unearthed. Haydn's Divertimento in E flat was an attractive, well-made work, which provided in its five movements ample opportunity for the talents of the group—especially for the chirrupy clarinets and bouncing bassoons in the Gavotte. These players are clearly not dull ensemble players: each solo contribution had a sparkle and a character of its own, and the delightful *buffo* finale with its minor-mode episodes and chorale-like treatment of the theme fairly bubbled with life.

Would that the Concertino of Vinzenz Maschek (1755-1831) had been anything like as sensibly balanced as the Haydn. This piece of early 18th-century Bohemian nonsense, revived presumably because of its curious instrumentation for two pianos, clarinets, horns, bassoon and double bass, showed a poverty of invention and lack of harmonic sense it would be hard to surpass. Tinselly flurries of pianistic scales and endless chiming chains of thirds led either nowhere or back to the tune you first thought of. A sad waste of talent from a group which could have played Dvorak's Serenade and saved themselves the cost of two Steinways.

Albert Hall

Johnny Mathis

by ANTONY THORNCROFT

"Welcome to the Johnny Mathis Show" said the anonymous voice at the Albert Hall late on Monday night. It is deadly that word "show" for it means that there is going to be an hour of rather tired hors d'ouvres before the big man turns up: and so it proved.

When he finally sidled on stage through a rather anaemic musical introduction the joy in the packed hall was unbounded. A woman walked purposefully to the front to receive a touch on the hand; the undeniable hold that this musical veteran has over a British audience was as firm as ever.

As a performer he has some of the vulnerability of Johnny Ray; as a mover around the stage he has an undeniable presence; as a singer he has a remarkable voice with such a range that he can slur away the lyrics and still produce an interesting and agreeable sound. His main problem is his selection of songs, most of which are rubbish of the most exalted variety.

In any group of the most embarrassing and unreal songs of all time you would find many Mathis stand-bys. The early works such as *Misty* and *A Certain Smile* now have a certain period charm, but when the best of his contemporary sources is Barry Manilow's *Cocacabana* you know the depths. There is the odd redeeming number — his recent hit with Deneice Williams stands out like a good deed in a naughty world although it was strange to have her recorded voice as an accompaniment—but in the main the niceness of the man went under to the awfulness of his material.

Old Vic goes 'dark'

A "dark" Old Vic during the first three months of 1979 when rennovation takes place but great things later are promised by Toby Robertson, artistic director of Prospect at the Old Vic. The company is hoping for Arts Council support to ensure the success at its London base that it receives from touring in the UK and abroad.

With house records recently broken in Hull and Edinburgh, and visits planned to the Hong Kong Arts Festival and Australia, as well as a *Hamlet* production at Elsinore with Derek Jacobi, the out-of-London end of Prospect's activities are flourishing. It now feels it deserves more support in London, and plans are afoot to turn the refurbished Old Vic into a centre for ballet and opera as well as drama.

Much depends on the £1.3m appeal, but future plans include a change of name (perhaps to call it the Old Vic Company), and to make the cosy theatre on South of the Thames a rival in popular affection with the National and the Royal Shakespeare.

ANTONY THORNCROFT

'Play for Today' publishing venture

Eyre Methuen are embarking on a new drama publishing venture this autumn by arranging, with the help of the BBC TV Drama Department, for each of the ten plays in the new series of *Play for Today* to appear on bookstalls and in bookshops simultaneously with the television screening.

The first play was transmitted last night and the authors and titles of the plays already scheduled are: Mike Stott's *Soldiers Talking Cleanly*, Andy McSmith's *One Bummer Newsday*, Vaclav Havel's *Sorry . . .* (Audience and Private View), Leon Griffith's *Dinner at the Sporting Club*, Jehane Markham's *Nina*, Tom Clarke's *Victims of Apartheid*, John Esmonde and Bob Larbey's *A Touch of the Tiny Hacketts*, James Duthie's *Donal and Sally*.

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A humble but useful role

ECONOMICS IS generally supposed to be in a bad way. Its study has not prevented us from drifting into a combination of inflation and recession, or even warned us of the danger of what was supposed to be an impossible conjuncture. It offers little guidance on urgent policy questions such as incomes policy or the rules for intervention in the exchange market —merely a confusion of conflicting advice. It offers no answers at all on such practical questions as whether new technology will cause unemployment (or has already caused it) and for how long, or whether the Euromarkets create money.

View expressed

Faced with perplexities like this, many laymen sigh for a new Keynes, who will make everything clear. The committee which selects the Nobel laureate clearly has other ideas. They have chosen Professor Herbert Simon, a man whose work on decision-making is so specialised and technical that few professional economists know it at all well. Its message, if a lay message can be extracted, is that the actors on the economic scene are not nearly as rational as theorists like to assume—because rational behaviour can be expressed in neat equations while irrational behaviour is much more recalcitrant. For those who hope for quick enlightenment, it may even seem an obscurantist award; but the Nobel committee is not in fact engaged in spitting in the eye of mainstream economics. It is expressing a view of the kind of work which is needed if the subject is to advance.

Economics, like other industries, responds to market demands and technical possibilities: and in recent years the market has demanded forecasts, and the computer has made it possible to produce them faster and in more detail than can have seemed possible a generation ago. Economic forecasting, like weather forecasting, is of far higher quality than most laymen realise; when it is remembered that it is based on statistics which are themselves partly guesswork, it is remarkable that the errors made are not much larger.

Unfortunately this intellectual achievement has proved quite largely barren for its main supposed purpose—as a guide to policy. First, policy interventions can themselves invalidate the model: attempts to control the money supply, for example, change the relation between money measures and such policy objectives as less inflation or more investment. Even where this is not so, the unavoidable margins of forecasting error are often bigger than the changes policy is aimed to produce.

In any case, even if forecasting and policy simulation were free from error, the usefulness of existing models would be limited. There seems to be a perverse law which states that if we could (as we cannot) perfectly control the things analysed in the models—domestic money, effective demand, the fiscal balance and the like—then problems which are not analysed in the model, such as offshore financial markets, resource cartels, trade union politics and environmental fanatics will in part at least invalidate both the starting assumptions and the results.

Diminishing returns

Whatever the reasons, we seem to have arrived at a point where the application of ever more sophisticated computing to what is at heart a very simple and unsophisticated model of human and economic behaviour is showing rapidly diminishing returns. It may be time, as the Nobel committee implies, to look at the foundations again.

This is not, thank goodness, a matter of starting the subject afresh, but rather of trying to assemble a great deal of work which is already in progress into a more coherent whole. The notion that man is not always a maximising animal, that markets are not always cleared, that economics must be concerned with power as well as inputs and outputs are not new, and much work, ranging from painstaking surveys to the most rarefied theorising, is waiting to be assimilated.

The new truisms inside the profession are not those which translate readily into politics — demand management, or monetarism, or planning — but are concerned with re-launching the study itself. Macro-economics needs better foundations in micro-economic analysis. The task of economics is not to prescribe, but to understand. No-one will win an election on such slogans, but they do hold out hope for a better understanding — one which might fit economists for the humble role Keynes hoped for: useful technicians, able to tackle the real problems.

Trudeau takes a hard knock

WHEN MR. JOE CLARK, the dark horse, was elected leader of the Canadian Progressive Conservative Party in February 1976, a malicious columnist dubbed him "Joe Who?" The answer to that question was given on Monday by 1m Canadian voters in an unprecedented day of 15 by-elections: Mr. Clark is the man who less than a year from now may be the Canadian Prime Minister. May be—not will be: the real battle is yet to come, and Mr. Trudeau has fought back before from tight corners.

But the corner he is in now is tighter than those of the past. The decline of the Canadian dollar in the past two years, however much one may argue that it has been good for Canadian exports: the return in 1975 of a provincial Government dedicated to separating Quebec from Canada; a rate of inflation that has barely come down during three years of wage and profit controls: and Mr. Trudeau's inability to retain the services of many of his more talented ministers, including two ministers of finance: all these add up to a position from which it will not be easy to make a comeback.

Mr. Clark's prescription for dealing with inflation and the exchange rate is essentially one of economies, cutting down government spending, and cutting down the huge budget deficits that otherwise are certain. The approach is evidently popular. Mr. Trudeau, reversing Sir Robert Peel, has set out to steal the Tories' clothes. Monday's results clearly show that the electorate was not convinced by the image of Mr. Trudeau, once the Golden Boy, turned stern housekeeper. But his comment "wait and see" after the debacle on Monday must not be shrugged off. There are some indications that the economy may have reached the bottom. But little time is left before the election in 1979 to demonstrate such an improvement.

Another thing that the election has shown is the deep division that runs between English-speaking and French-speaking Canada. It is not really a division between those who want Quebec in or out of Canada. What Monday showed, or rather demonstrated again, is that political loyalties follow different patterns in the two founding nations of Canada. No Liberal won outside Quebec—but no Tory won in that province. That is a challenge to Mr. Clark, but also a severe flaw on the unity of the country.

Quebec

The Conservatives have not done well in Quebec at federal general elections since Mr. John Diefenbaker's great but short lived triumph in 1958. Mr. Clark with his well meant but hardly fluent French may have difficulties in drawing Quebec onto the Tory side. There certainly is no evidence that the Quebecois have been especially interested in his plan for giving the provinces greater political powers as a means to quieten discontent in Quebec, or in the West, where the suspicion is widespread that Canada is run for the exclusive benefit of the East. But Mr. Clark may at last have found a credible standard bearer for French Canada in the person of Mr. Robert de Cotret, a bilingual economist who won an Ottawa constituency.

Within his own party Mr. Trudeau will now face the fury of those who blame him for not dissolving parliament from a position of strength in the polls last year. In the short run he will hang on with the argument that it is too late to switch leaders. On the day of the election itself he will have to hope that devaluation has worked, that he still looks the contestant more likely to keep Quebec in line — and on that "Joe Who?" jibe.

System X: the need to shake up the 'phone makers

BY MAX WILKINSON

IT seems hardly possible that the present structure of the British telecommunications industry can last much longer.

This is chiefly because it will have very little hope of regaining a foothold in export markets unless it is reorganised—a rather gloomy proposition which is accepted by most people in the industry, and is the main reason for high-level talks now going on between the National Enterprise Board and the three companies making telephone equipment.

These talks have involved Sir Leslie Murphy, chief executive of the NEB, Sir Arnold Weinstock, head of the General Electric Company, Sir John Clark, chairman of Plessey, and Dr. Kenneth Corfield, managing director of Standard Telephones and Cables, the UK subsidiary of ITT. They have been kept so secret that few people in the companies involved know their drift.

The Government is also involved because it is anxious to streamline the industry in good time to take advantage of export opportunities which it believes will be available in the 1980s. By this time the Post Office's new computer-controlled exchanges, the long-awaited System X, will be available. Although some people are openly sceptical about the market possibilities for System X, a study commissioned by the Post Office from the U.S. consultants, Arthur D. Little, is moderately encouraging.

However, the chances for the new British system hardly look rosy if its development and production are to remain divided into three equal parts between competing companies. As present none of the three companies has the detailed expertise to produce the whole system. The three have separate marketing organisations and different overseas strategies.

Only the Post Office has a complete systems capability, and it is the Post Office which is exercising detailed control over development schedules. But it does not have the overseas marketing organisation needed to compete in the big league of international competition. Even if it were to develop such a novel role, the relationship with three independent suppliers would be difficult.

The Post Office's record in helping manufacturers to develop an exportable product has, in any case, been extremely poor. None of the exchanges whose design it has sponsored in the last decade has been exported in significant numbers. Even if System X proves attractive to foreign customers, it is hardly desirable that the Post Office should be, at the same time, the principal customer and the chief overseas salesman.

Yet the new computerised exchanges are so complicated that manufacturers selling abroad will certainly need help from the Post Office, particularly in less developed countries which require a complete system and the operating know-how to go with it.

This is the central dilemma, which the NEB is now trying to solve. If, for example, GEC and Plessey were competing in an overseas market, how would the Post Office decide which company to support? One possible solution already discussed would be to divide the markets between the three companies and let each take the lead in one area.

Lines on a map

However, that does not seem workable because of the enormous size of some of the international contracts, the largest of which are measured in billions of pounds. The companies could hardly agree to a division of these markets simply by drawing lines on a map, because they would all fear being excluded from the most lucrative regions.

Even if the companies could agree on a carve-up of world markets, disputes and delays would be almost inevitable if the three competitors were all making different parts of the system for each other.

In theory the companies could exchange designs so that they could each manufacture most of the system. This exchange of know-how has in the past been part of the terms under which the Post Office has awarded development contracts. But System X is so much more complex than previous equipment, that it is unlikely that any of the manufacturers could make a full range at least until the late 1980s. Even then, continuous development of the technology will make it extremely difficult and expensive for all three companies to keep up to date with the techniques being introduced by their competitors.

These potential strains would clearly be fewer if the number of manufacturers were reduced from three to two or even to one. An even more compelling reason for seeking mergers is that the whole character of the industry is changing from an emphasis on manufacturing to the design, and development of computer-like systems.

As the old electro-mechanical gear is phased out, whole factories have been closed and many thousands of jobs have disappeared. In 1973, the telecommunications industry employed 90,000 people. By 1976, it was down to 75,000 and it is now around 65,000.

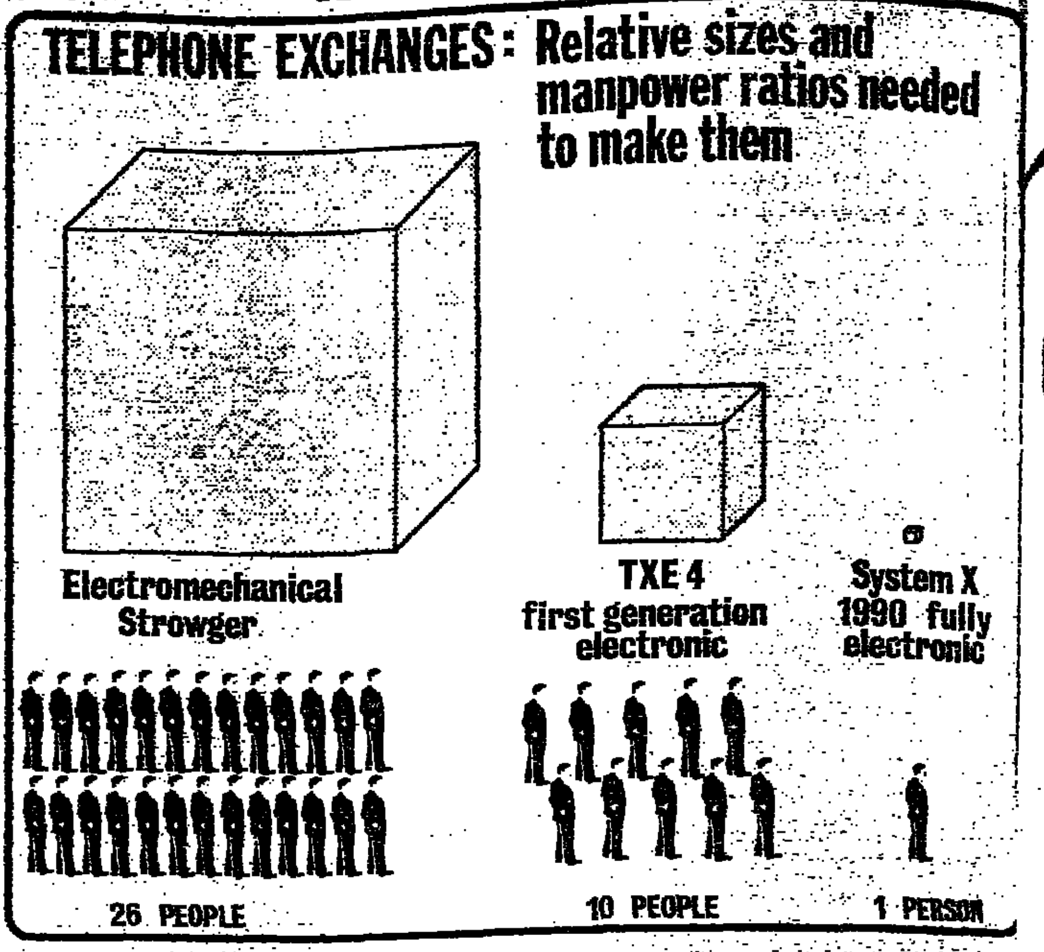
This trend will continue as complicated mechanical switches are replaced by electronic circuits which can often be assembled automatically. Indeed, the reduction of jobs in the purely manufacturing side of the business could be startling. Dr. Corfield, of STC, says that after the electronic TXE 4 exchanges, the next stage of switching technology (System X) will require only a tenth of the present number of production workers as exchange equipment is reduced to a 15th of its present size. Looking ahead, he says: "The next ten years should see a thousandfold increase in capability per unit volume," he added. However, skilled designers, computer programmers, and engineers will probably be needed in greater numbers.

A merger could, in theory at least, help to make more rational use of the skilled engineers while helping to achieve a sensible run-down of manufacturing plant.

The NEB has considered three main possibilities for meeting these difficulties.

The first and most obvious is that favoured by most of the trade unions: outright nationalisation. It would in some ways be the tidiest solution and cannot be dismissed out of hand. However, there are several strong objections besides the expense. The Post Office dislikes the idea of depending on only one supplier: a nationalised company would probably lack the marketing drive to compete successfully in overseas markets. It might also have more difficulty than a private employer in reducing the labour force; and lastly a monopoly in "public" switching could have an undesirable effect on the growing market for private automatic branch exchanges and related office equipment.

The second possibility which has been much discussed is the setting up of a joint telecommunications marketing company between GEC, Plessey and STC. This could be allied to the proposal for Britel, an overseas consultancy now being discussed between the Post Office, Cable and Wireless and International Airadio. The difficulty with this idea is that it is hard to conceive of a marketing company being successful unless it also has control over production and thus of price and delivery schedules. At the same time the manufacturers might be unwilling to put their fortunes in the hands of a marketing company which they did not individually control. Judging from his past record, Sir Arnold Weinstock could certainly be expected to oppose such a hybrid arrangement.



The third possibility—which the NEB would like to achieve —is a merger between Plessey's and STC's telecommunications interests. The plan appears to be to try to persuade ITT to relinquish control of all or part of STC so that a joint company could be formed in which the shareholders would be the NEB, ITT and Plessey. The big question is exactly how this could be achieved and who would control the new group.

The head of Plessey's telecommunications operation, Dr. Bill Willetts, recently resigned to take up a new job with Vickers. In any merged company, therefore, Dr. Corfield of STC, who has a high reputation in the industry, would seem to be a natural candidate for the top job. Whether this would be acceptable to Plessey is another matter. Sir John Clark, chairman, and his younger brother Michael (deputy chairman), now have only a relatively small shareholding, but they certainly inherit a strong family tradition because it was their father, Sir Allan, who built up the company before the war and laid the foundations of its present size.

The Government strategy for merging the two turbine generator companies' operations two years ago ended in failure mainly because it could not carry the goodwill of one of the companies, Reyrolle Parsons. The public failure of the Government and the NEB to secure that rationalisation, in rather similar circumstances, is still ringing in officials' ears.

In particular they have to recognise that nobody is keen to take charge of a merged company if his first action may have to be the sacking of large numbers of workers.

STC now employs 13,000 making telephone switchgear, and it does not anticipate the need for much more slimming down. Plessey employs 19,500 in its UK telecommunications operation, many of them still making electro-mechanical equipment. Although the company says it expects to be able to reduce the labour force gradually mainly by natural wastage, it still has a long way to go. Outside estimates suggest it may need to cut its present labour force by perhaps 50 per cent. Any upset in the market could therefore hasten redundancies.

Several uncertainties remain, the chief of which is whether the giant ITT could be persuaded to part with control of STC, even though it has talked of a public flotation of perhaps a third of the shares in the next year or two.

This question of ITT's control is the central and most delicate part of the current round of talks. The Government could not allow the American ITT to control a merged Plessey-STC conglomerate partly because of Plessey's defence interests, and partly because it would not wish such a large part of the UK telecommunications industry to be controlled by a foreign company.

Conflicts of interest

Even though STC takes pains to separate its management and research from its parent company, many observers believe conflicts of interest may arise when System X comes on to the world market in direct opposition to ITT's new System 12 computer controlled exchanges.

However, a continued close link with ITT may also be desirable, because telecommunications technology is moving so fast, and the worldwide competition is so strong, that it is now doubtful whether the UK can continue indefinitely to go it alone with a completely independent system. In the past STC, and therefore the whole British industry, has benefited from the influx of ITT's worldwide expertise and experience. It may be that a deal could be arranged which would preserve or even strengthen these links while sufficiently diluting ITT's control.

The problems of re-organising the telecommunications industry are also intimately related to the long term future of Plessey. The company may wish to continue on its way unchanged. A regrouping which deprived it of its telecommunications business would probably leave the other interests including defence electronics, open to a take-over bid from Racal. Alternatively, the NEB might wish to put Plessey's military and components parts together with Ferranti, which it now controls. But then further possibilities are all speculative.

Ultimately the re-organisation of the telecommunications industry will depend as much on political will as on the commercial and industrial arguments in its favour. The Government would need to take a fairly decisive attitude to overcome the many vested interests involved. However, because the industry depends largely on the public sector for its revenues, the Government and the NEB can clearly exert a powerful leverage if they wish.

Time is not on the industry's side. Many of the major contracts for telecommunications equipment in the developing world will be coming up in the next five to ten years.

If the British manufacturers fail to get in at an early stage they will inevitably find that customers are locked in to systems from competitors like the much more successful L. M. Ericsson of Sweden, ITT and the Japanese. The development of System X is five years behind in the world's telecommunications timetable, so Britain's only hope is to show that it has a better system than those presently available, backed by a strong, well organised manufacturing industry. And it must start doing this immediately. The chances of regaining a share of the lost world markets do not even now appear very bright. However they could become much worse.

MEN AND MATTERS

Searching for oil in the stars

Britain, the Saudi Arabia of the EEC, was the thrust of the speech delivered this week to engineers at Guildhall. A heady message, particularly when the speaker was none other than Sheikh Ahmed Zaki Yamani, Saudi Arabia's Minister of Petroleum and Natural Resources. But there the message was: "The following 10 years seem to promise a strong likelihood of a brisk demand for oil. This demand will be accompanied by mounting pressure from the consuming countries in order to secure additional supplies in quantities that may by far outstrip the need for exports of certain oil producing countries. Both the United Kingdom and Saudi Arabia are good examples of such producing countries."

If that was a novel comparison for the sheikh's 600 listeners, there were some other striking suggestions, not least that the oil price increase of 1974 had not been the main cause of the recession but instead "structural elements inherent in the economic forces which prevailed in the industrialised countries." And, further, that "what seemed to have constituted, to some observers, a threat to the economic well-being of certain industrialised countries, particularly Great Britain, has in fact turned out to be a blessing in disguise." The sheikh's justification for this unusual line of reasoning was that it spurred Britain to increase North Sea exploration.

It was also surprising to learn that the hard-headed sheikh professes that astrology is one of his interests. Surely the ulema of Islam would frown on any transfer of faith from Mohammed to the stars? "Oh no," one Moslem told me. "The Arabs have always felt proud of their discoveries in astronomy." It seems that the Saudis are just as superstitious as we are, and their newspapers carry horoscopes. Perhaps it is to these that Western economists should turn if they wish to see into the future of Saudi oil policy.

No prizes

Barron's this week make their lead story a competition — first prize a copy of the collected speeches of Jimmy Carter. Second prize two copies. But it is a competition which no one can win and only the weekly itself can lose.

The task set was finding the mistake in Carter's recent handwritten message to Congress which noted "The Producers Price Index for finished goods rose 0.9 per cent in September (an annual rate of 11.4 per cent)." Barron's finds the Presidential arithmetic a little wanting. It writes that it has long argued that those feeding at the public trough should take a mandatory course in economics. Now it says "To heck with economics, just teach the fellows to add and subtract, multiply and divide." But there is a flaw in this — that maybe Carter could perhaps be right after all. Inflation may be complex but it does compound too.

Agony service

A new 24-hour dental service, launched in London last night, is given a vaguely conspiratorial air by the name, REDS, and the requirement for dentists to avoid anything that looks like advertising.

All that I can glean from behind the veils of whiter-than-white discretion is that the privately-run Radio Emergency Dental Service is the brainchild of a Harley Street Practitioner, and that it is hoped to extend it beyond London "as soon as possible." Patients are to be put in touch with the service via a radio link.

Similar schemes have been previously suggested to the Department of Health, I am told, but have always been turned down on grounds of cost.

I asked what REDS' charges were, to be told that they will be £15 in the daytime, £25 at night, and £40 if REDS' mobile surgery calls. A spokesman said that the charges were reasonable by comparison with some smaller existing services in central London. It all depends on the pain.

Kindred glooms

If you have Wall Street stocks prepare to shed them, the Philadelphia stockbroker and investment guru Charles O'Hay prophesied ominously; if not straight away, then certainly before the end of May next year. Two years from now, asserted O'Hay as he passed through London yesterday, the Dow Jones average will be down to 700 and there will be woe in the land.

O'Hay has been uncannily accurate in the past. His longest run of spot-on forecasting started in April 1972, when he predicted the market would top out at 1040 by the end of the year, and then go into a 20 per cent decline until August 1973. "Then I called a rally of close to 1000 by the end of October, and it happened. I said the Dow would be at 790 by December, and it was. I called a rally through spring of 1974 and a collapse until August. That was the walk-on-water phase."

O'Hay stumbled when Nixon resigned, and he thought it would be "good for the country." That may have been so, but the stock market collapsed.

But O'Hay's outline of the U.S. future at least deserves to be taken seriously. It may raise nightmarish memories for British readers. Wall Street investors, he says, seeing short-term interest rates soaring and every prospect of inflation shortly doing the same, are eschewing equities and mopping up the Treasury bills so thoughtfully provided for them.

Against this background there is only one way for share prices to go, and it is not up, says O'Hay. He thinks the scenario will only change if inflation takes off into the stratosphere, investors lost faith in the rate of return on long dated bonds, and the weight of institutional cash has to seek a fresh home.

At this point our discussion took a turn unfriendly to U.S. investors. It might be necessary at that point, suggested O'Hay, to "shut U.S. investors out" of foreign exchange operations to ensure their support for the home stock market. Our Treasury could tell him that does not necessarily work either.

Lather over

A new category of worker has joined the British labour force —the shampooist. The Hairdressing Wages Council, which sets minimum pay rates for the industry's 135,000 snippers, primpers, and now shampooists, has decided after years of argument that the time has arrived to create the new title.

I am told shampooists will be mainly drawn from the ranks of former professional hair stylists, who have come back into the industry after a lengthy absence and are not in tune with the latest techniques.

Despite the new title, pay will lag behind that for experienced hairdressers — whose newly-agreed rate is £37 a week.

Cast-iron

A colleague browsing in a Lambeth street market tells me that nothing impressed him more than seven words printed on the box of a clockwork toy from Hong Kong: "Guaranteed to work throughout its useful life."

Observer

FINANCIAL TIMES SURVEY

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Japanese International Companies

After Japan's slow and uneven record in overseas investment, the revalued yen now provides an overwhelming incentive for Japanese industry to invest abroad—particularly in the United States and, to a lesser extent, in Western Europe.

Strong boost for new investment

By Charles Smith, Far East Editor

WITH THE exception of two years immediately before the 1973 oil crisis, when the flood gates opened briefly, Japan has yet to establish a very brilliant record as a foreign investor.

Overseas investment was severely restricted by the Government from the early 1950s until 1969 when the system of subjecting all but the smallest overseas investment projects to formal scrutiny by the Ministry of Finance finally began to be dismantled.

In 1972, official discouragement of foreign investment gave way to active encouragement with the result the value of investment projects approved by the Government increased 2.7 times in the first of these two years and another one-and-a-half times in the second year.

Changes

After 1973, when Japanese business retreated in the state of shocked apathy from which it has yet to make a full recovery, the vigour went out of the nation's overseas investment drive and—until now—stayed out.

Investments "approved" by the Finance Ministry declined by 32 per cent in 1974 and only recovered (by 37 per cent) in 1975 because of the drastic impact of inflation on the costs of individual projects.

The last two years have seen an additional 5.5 per cent recovery. In 1976, followed by 19 per cent fall in fiscal year 1977 (ending last March) in the value of projects passed by the authorities.

This uneven trend in the launching of new projects contrasts with the steady winding up of some of Japan's less profitable pre-oil crisis investments.

Japan's rather half-hearted progression towards the status of a fully-fledged overseas investor has brought it to a point where it ranks marginally behind West Germany in the cumulative value of its investments but far behind most other Western industrial countries, in terms of both the absolute value of its investments and their ratio to gross national product and foreign trade.

As of late 1975, Japan's overseas investment balance totalled just over $15bn which was equivalent to 3.1 per cent of its GNP and 27 per cent of its exports for the same year.

Britain's investments in the same year were worth more than twice Japan's and were equivalent to about 16 per cent of GNP and 88 per cent of exports.

The other distinguishing feature of Japan's performance as a foreign investor lies in the character and distribution of its investments. By and large, Japan has concentrated on the development of natural resources and on the establishment of small-scale manufacturing ventures in developing countries (particularly South-East Asia) whereas Western industrial nations — especially the U.S.—have established factories on the territory of other developed nations.

Japan's investments in the U.S. and Western Europe up to the time of the oil crisis and for some years after were channelled mainly into commerce, bank and related "service" sectors—in other words, they were designed to reinforce the Japanese position in world trade rather than to provide the foundations for an overseas manufacturing presence.

The story of Japan's overseas investment efforts might have ended on this not very encouraging note but for the fact that the emergence of an embarrassingly large Japanese current account surplus and of the yen, as one of the world's strongest currencies, having transformed the prospects in the very recent past.

The Japanese Government sees direct overseas investment as one of the major forms of long-term capital export by which the basic balance of payments can be restored to equilibrium some time during the early 1980s.

For Japanese industry, the revalued yen (worth 53 per cent more in terms of the dollar than at the start of 1977) provides an overwhelming incentive to invest abroad.

Yen revaluation has created a situation in which a wide range of industries from textiles and aluminium to chewing gum and soy sauce—are more costly to operate inside Japan than abroad. More important, it has created a situation in which the U.S., and to a lesser extent Western Europe, have become potential low-cost investment sites for Japanese industry.

This situation harmonises perfectly with another set of circumstances which have been forcing Japanese manufacturers to look seriously at U.S. and European investment projects. These "circumstances" are, of course, the gloomy conditions in world trade which mean that producing on the spot in the U.S. or Western Europe may be the only way to circumvent barriers against direct exports from Japan.

The combination of a high yen, an embarrassing current account surplus and the threat of more troubles in world trade have already produced a modest impact on Japan's overseas investment performance. In fiscal 1977 the value of "approved" investments in manufacturing rose slightly (by 4.8 per cent) while investment in commerce and resource development fell sharply (by 14.9 per cent and 54 per cent respectively).

These figures, however, probably offer no more than a hint of what may happen in the next few years.

Officials at the Ministry of International Trade and Industry say they expect a "big change" in Japan's overseas investment activities during the next two or three years with the accent on manufacturing investment. In developed Western countries these expectations are backed up by the results of surveys of company investment intentions which indicate that investment projects timed for realisation in 1980, or thereabouts, are three to four times more numerous than those scheduled for 1978.

When Japan's manufacturing investment starts growing again it will initially focus overwhelmingly on the U.S., since this is the largest overseas market for Japanese goods. All the major Japanese television manufacturers are now either manufacturing in America or planning to start doing so in the fairly near future. (The last major company not known to be planning a U.S. venture—Sharp Corporation — was reported earlier this month to have started looking at possible sites for an assembly plant.)

The top two Japanese motor manufacturers, Nissan and Toyota, are also known to be studying sites in America. So are a wide range of other manufacturers in industries ranging from food processing to industrial electronics.

In weighing up the pros and cons of acquiring a U.S. manufacturing presence, Japanese companies seem to be relatively unworried by the question of whether or not they are likely to be welcome.

Enough companies are already firmly established in various parts of the U.S. (starting with Sony Corporation's San Diego TV plant in 1972) for the point to have been made that American workers react well to Japanese management techniques. There are, in fact, no serious political or psychological barriers to the growth of a big Japanese manufacturing presence in the U.S.—a situation which is in sad contrast to attitudes in some parts of Western Europe.

Europe ranks as the second major priority for would-be Japanese investors, including major consumer goods exporters such as the TV manufacturers and the motor industry. But questions of how, where and when to invest in Europe seem a lot less straight-forward when viewed from Japan than the same questions applied to the U.S.

Linguistic and cultural diversity is one problem. Another is the delicate question of whether Europe itself really wants Japanese investment—or, still more confusingly of whether some countries want it and others do not.

The present assumption on this latter question seems to be that Japanese industry, by and large, is not welcome in France or Italy (where language also acts as a deterrent) and not very welcome in West Germany.

At the opposite extreme, the Benelux countries and Ireland are seen as trouble-free locations for Japanese factories, though with the disadvantage of possessing small domestic markets.

The UK occupies a pivotal possession in the investment planning of Japanese companies interested in Europe. Its large market, relatively low wages and ample industrial infrastructure are seen as advantages.

But there are doubts whether Japanese industry is really welcome—despite the fact that 13 companies, representing a total of £12m worth of investment, are already operating in Wales and the north-east with what seem to be reasonably successful results.

The doubts were not exactly diminished a year ago when Hitachi, one of the top Japanese electrical manufacturers, announced that it was postponing a project to build a TV manufacturing plant in north-east England after running into severe opposition from local industry and from trade unions.

Reassured

One year after the "Hitachi affair" (as it is still labelled in Tokyo) the Japanese seem to have been at least partially reassured that the investment climate in Britain is less hostile than had been feared.

Hitachi itself is believed to be reconsidering its original plans and there are reports that half a dozen or so other major Japanese companies are taking a "serious" look at the UK.

Final decisions on most of these projects may well be delayed until after Britain's next general election. But the trend is towards a greater Japanese involvement in European industry and Japan—for one—believes it will be to the good of both sides.

Commerce

Trading houses as the spearhead

AS THE rest of this survey makes abundantly clear, Japanese manufacturers have not, historically, shown themselves to be very adventurous so far as attitudes to foreign investment are concerned. Japanese traders are the exact opposite.

The top nine Japanese general trading houses probably have the most extensive international branch networks of any group of business organisations in the world. (The only possible exceptions are U.S. or European multinationals which have no exact counterparts in Japan and whose international operations are by definition much more self-sufficient and thus much less amenable to head office control than the overseas branches of a Japanese trading house.)

Because of the proliferation of trading company branches (and, in recent years, subsidiary companies) around the world, commerce ranks as one of the most important categories of Japanese overseas investment. At the end of 1976 commercial investment, broadly defined to include banking and certain other types of services as well as overseas offices of trading companies, accounted for just under 40 per cent of total Japanese overseas investment, with a cumulative value of $7.6bn. In terms of the number of establishments, 60 per cent of all overseas enterprises set up by Japan as of late 1976 were in the commerce sector.

The pre-eminence of commercial investment over other types of Japanese overseas investment is most marked in other advanced countries where Japanese general trading companies have their biggest and most costly overseas representation, but where Japanese factories are still thin on the ground. The extreme example of this situation is Western Europe where no less than 80 per cent of the cumulative value of Japanese investment to date is in the sector officially labelled "commerce, services and others," with a mere 10 per cent of the total in manufacturing. (The balance is in resources development, though the resources concerned may not necessarily be located in Europe itself.)

In Asia, and particularly in South-East Asia, investment in trading company branches has taken a back seat to manufacturing investment and resources development. (The commerce sector accounted for 17 per cent of total Japanese investment in Asia at the end of 1976.) However, the relative lack of prominence of a Japanese commercial presence as such in the developing world should not be taken to imply inactivity on the part of the big trading companies. Rather is it the case that much of the manufacturing investment and resources development carried out by Japan in developing countries has been initiated or financed by the trading companies.

Companies like Mitsubishi Corporation, Mitsui and Co., C. Itoh and Co. and others have thus played a dual role in furthering Japan's economic interests in the outside world. They have provided the channel through which Japan conducts a large part of its direct foreign trade (the top nine trading companies together handle well over 50 per cent of Japanese imports and exports) and the channel through which Japanese industry has invested (to the rather modest extent that it has done so far) in the developing world.

Reasons

Trading companies have become involved in the promotion of overseas manufacturing and resource investment for a number of reasons. The first and most fundamental is that Japanese industry, typically, aims to spread its risks. In other words, if a textile company or an electronics manufacturer decides to open a factory in a developing country whose political future is even mildly unpredictable, it is likely to want a "friendly" trading concern to shoulder a portion of the financing burden.

A second reason why trading concerns have played an indispensable role in investment in developing countries is that the overseas branches of trading companies can provide services ranging from intelligence reports on local politics to introductions to potential business partners without which no investment project would be likely to get off the ground.

A final reason for trading company involvement is the "trade-related" character of almost all Japanese Investment in the developing world. A trading concern which takes an equity stake in an overseas manufacturing venture would normally expect to be given the job of importing from Japan the machinery needed to launch the new venture. It would also probably expect to handle the export of products from a new factory once production got under way.

The involvement of trading companies in overseas manufacturing and resource development ventures explains why the investments of the top half-dozen or so concerns are on such a vast scale—probably considerably larger than the investments of even the biggest companies in the manufacturing sector itself. At the end of its 1977 financial year Mitsui and Company had overseas investments worth Y247bn (well over $1bn). This figure was the equivalent of about 30 per cent of Mitsui's total investments—in other words nearly one third of all the money invested by Japan's second largest general trading company up to the beginning of this year was outside Japan.

Mitsui would appear to be leading the other general trading companies in the foreign investment stakes, but all the top half-dozen or so companies are heavily involved. Mitsubishi Corporation had Y144bn of overseas investments in March 1978, while the figure for Marubeni (now the fourth ranking trading company) was Y125bn. Sumitomo Corporation, the fifth ranking general trader and a company noted for its relatively conservative management style, had Y59bn of overseas investments at the end of fiscal year 1977. By contrast, the biggest overseas investor among Japanese manufacturers was Matsushita, with a cumulative total of Y52bn.

During the past two years or so the big trading companies have had reason to regret the enthusiasm with which they poured funds into overseas manufacturing investment and resources development in the period up to and immediately after the oil crisis. Returns on manufacturing ventures have been disappointing in all but a handful of cases, while resource development seems in retrospect, to have been pushed too far and fast for the actual needs of the Japanese economy. The realisation of these discouraging facts has led to a sharp fall in overseas investments in the resource and manufacturing sectors by trading companies in the recent past.

There also seems to have been a slow-down in commercial investment (i.e., in the opening of new trading company branches or overseas subsidiaries). This reflects the fact that most of the big traders already have such extensive overseas networks that major new investments are not necessary. The only significant piece of "virgin territory" for the trading companies today is the People's Republic of China — which does not yet permit the opening of branch offices. China could relent on this point in the not too distant future, in which case all the major companies will certainly wish to open branch offices in Peking, and possibly in other cities too.

Poised

The trading companies seem to be poised to play their part in the next round of Japanese manufacturing investment which is likely (as explained elsewhere in this survey) to be directed towards the U.S. and Western Europe. What is less certain is the extent to which their services will be needed by manufacturing companies during this new phase.

Motor manufacturers or electronics companies contemplating major production ventures in the U.S. clearly do not have the same need for trading company expertise on local political conditions or for introductions to prospective business partners that might exist if they were trying to gain a foothold somewhere in South-East Asia or Latin America.

The upshot seems to be that trading companies will have to re-think some of their traditional attitudes to overseas investment if they are to play a leading part in the next phase of Japan's economic internationalisation. Trading companies, however, have already shown themselves to be adept at adjusting themselves to new situations and creating fresh demands for their services when old ones start to disappear. There is no reason to think that they will fail to gain a share of the action when Japanese overseas investment starts to grow again.

Charles Smith

Raw Materials

Getting key supplies on a firm footing

JAPAN'S ATTITUDE towards securing its vital supplies of raw materials has matured considerably since the oil Shokku of late 1973.

At that time, panic stricken by the oil shortage and the fear of unilateral price hikes by producers of other key resources, the Japanese rushed headlong into resource-related overseas investments and long-term supply contracts, with precious little regard for the medium-term supply and demand outlook for the resources concerned.

The worldwide economic slowdown which followed the oil crisis brought with it a slump in Japan's own raw material import requirements, and a fall in raw material prices.

The result has been delays in completion of the investment projects, some of which have come to look rather foolish in the light of subsequent developments, and wholesale renegotiation of huge contracts for long-term supplies of iron ore, copper, nickel, sugar and other materials.

Depending on the strength of the suppliers' bargaining positions, Japan has either cajoled or bludgeoned them into accepting lower prices and smaller shipments than contracts originally called for.

The deals into which the Japanese entered may have served to make imports of some key resources more secure than they previously were: more than 50 per cent of Japan's imported iron ore and copper now comes from development projects in which the Japanese own a stake, and the percentage for coal is also expected to rise to over 50 per cent within a year or so, from only 30 per cent in 1975.

But at the same time, some of the deals have simply forced the Japanese to expend considerably more on their supplies than they would have needed to pay.

The most famous of the contract renegotiations was undoubtedly that of the five-year, fixed price sugar supply deal with Australia agreed in late 1974, which originally provided for annual shipments to Japan of 600,000 tonnes.

When the bottom fell out of the sugar market, the Japanese announced last year they would no longer honour the contract unless the fixed price were cut from the originally agreed A$405 per tonne—about three times the prevailing world market price last year.

The result was months of bitter wrangling, which did Australia-Japan relations no good at all, followed by a compromise agreement on a marginally lower price, and a prolonged period of delivery.

Many Japanese Government officials and businessmen still retain a very keen sense of Japan's vulnerability to shortages in supplies of raw materials.

Reflecting this, Japanese business is certain to continue investing overseas to ensure stable supplies of those materials.

But the experience of the past five years has given them reason to be rather more cautious in their approach, and somewhat more confident of Japan's negotiating strength.

They have learned, for one thing, that it was not possible for producers of resources other than oil to bank together into an OPEC-style cartel, and force the price increases which were once feared.

They have also learnt that Japan is sometimes in a position to pick and choose among producer countries competing for Japan's investment capital and huge domestic market.

Australia, for example, at least under the present government, would dearly like Japan to raise its direct investment profile in that country beyond the small minority stakes in development projects it has taken in the past.

Here the Australians have had to compete, with regard to iron ore, for example, with Brazil, which many Japanese businesses appear to prefer to Australia, both for cost reasons and because of Australia's history of supply bottlenecks caused by industrial unrest.

The U.S. and Canada are also favoured by Japanese businesses contemplating investments in resources and resource-processing.

The situation, and the prospects, in some key areas are as follows:

● Oil: Here there is little chance now of the Japanese being able to do much "picking and choosing" among suppliers.

Japan's crude oil imports, which cover 99 per cent of oil requirements and more than 70 per cent of total energy needs, amounted to 275m kilolitres in the fiscal year, ended last March. This was down from 290m in 1973, but the dollar bill soared to $23.7bn from $8.7bn.

About 80 per cent of the imports come from the Middle East, and a further 15 per cent from Indonesia.

The Government has two main aims. The most fundamental is to conserve overall energy use, while at the same time reducing the ratio of dependence on oil.

An energy supply and demand plan drawn up by the Government last year called for economies in both industrial and home energy use, to keep the nation's total energy requirements in 1985 down to the equivalent of 660m kilolitres of oil.

This would be up from 390m in the plan's base year of 1975, but below the 700m projected without conservation measures.

The plan further advocated aggressive promotion of non-oil energy sources, to hold 1985 imported oil requirements down to 432m kilolitres, or 65 per cent of projected energy needs.

The second aim is to increase the amount of imported oil produced by Japanese companies overseas, or bought under direct deal or government-to-government agreements.

Only about 13 per cent of imports now come into this category, deemed to be more secure than oil from other sources. The hope is to raise the percentage to 30 per cent by 1990.

Japan could be helped enormously by any important oil-find in the East China Sea, where some geologists believe vast reserves to exist. Jurisdiction over the area is divided among China, Japan and Korea.

● Coal: Diversification of energy sources heralds a sharp increase in imports of steaming coal. Last year's Government plan forecast coal could be

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Aluminium

Locked in the grip of recession

THE RUGGED mountains of Northern Sumatra are covered with thick virgin jungle constantly enveloped in a cool, eerie mist that conjures up visions of the prehistoric past.

Working their way down the bank of the turbulent river is a uniformed and helmeted Japanese survey team, mapping out the location of a future hydro-electric plant.

The engineers are laying the groundwork for the massive Asahan Development Project, a venture that promises to guarantee a long-term, low-cost supply of aluminium for Japan.

While Japanese engineers are constructing modern aluminium smelting facilities in Indonesia, the aluminium industry back home is labouring in the grip of a chronic structural recession.

Once a shining example of Japan's ability to develop efficient, capital intensive industries, the aluminium industry is now trying to survive on Government charity in the form of an authorised cartel, subsidised loans, and newly instituted import quotas and tariffs.

Of Japan's numerous energy intensive industries, the aluminium industry was the most severely affected by the quadrupling of the price of oil in 1973.

Because Japan relies more on fuel oil for power generation than any other industrialised country (the others use more coal), electricity rates have soared, jumping from Y3.5 per kilowatt hour in 1973 to Y8-9 per kilowatt hour in 1976.

With electricity charges accounting for approximately 40 per cent of the total production cost of aluminium, the effect on the industry's international competitiveness, and hence profitability, has been disastrous.

For a while it looked like the industry would be able to weather the recession by resorting to its traditional anti-recession measures. Excess production would be stockpiled in preparation for the boom in aluminium demand that inevitably followed every recession.

The rapid appreciation of the yen that has occurred over the past two years has shattered any hopes that this time that policy would be effective. As the strong yen steadily priced Japanese aluminium out of the world market, Japanese smelters watched their export business disappear. Inventories continued to mount, reaching a peak of 291,219 tons by last January.

Aggravating the industry's problems is that, while electric power rates in other countries also rose after the oil crisis, they are still much lower than in Japan. Electric power now costs roughly Y4 per kilowatt hour in Europe and Y2 per kilowatt in the U.S.

Prices

Lower power charges have allowed foreign aluminium smelters to keep production costs down and easily undercut Japanese prices. The world market price for aluminium is now hovering around Y284,000 per ton, far below the estimated break-even point for Japanese smelters of Y371,000 per ton.

Given the large price differential between foreign and domestic aluminium, imports have predictably risen from 358,000 tons in fiscal 1975 to 472,000 tons last year, or 28 per cent of the domestic market.

With the Japanese smelters forced to sell aluminium either at a loss or not at all, the industry has piled up some frightening losses.

By the end of March the seven major aluminium smelters had accumulated a Y67bn deficit. That figure is expected to almost double to Y120bn by the end of this fiscal year.

To take some pressure off the domestic smelters, the Government moved to limit imports by introducing a bi-annual quota system from April, this year. The quota has been set at 200,000 tons for the April-September period and 220,000 tons for the October-March period.

While the quotas will assure domestic refiners a local market share of at least 70 per cent, they certainly will not be enough to bring the industry back into the black.

To help the industry back on its feet, the Japanese Government passed the structurally recessed industry bill.

This bill empowers the Ministry of International Trade and Industry (MITI) to help rehabilitate four structurally recessed industries (aluminium smelting, electric furnace steelmaking, shipbuilding, and synthetic fibre manufacturing) through the freezing or scrapping of excess capacity, the formation of production cartels, and the extending of low interest loans by the Japan Development Bank.

In accordance with the new law, the Fair Trade Commission (FTC) authorised the formation of an anti-recession cartel for aluminium smelters in early September.

The FTC will permit six major aluminium smelters (Sumitomo Aluminium, Nippon Light Metal, Showa Light Metal, Sumitomo Toyo Aluminium, Mitsubishi Light Metal, and Mitsui Aluminium) to limit production of aluminium ingots to 540,000 for seven months from September 1 to March 31, 1979. This figure represents a 16.1 per cent drop from the previous year's production.

On the heels of the FTC's decision came an announcement by the same six companies that they would freeze or scrap 530,000 (35 per cent) of their combined 1,540,000 ton annual capacity from the beginning of the next fiscal year. The move will cut the industry's overall capacity by 32 per cent.

As it has done with other industries in trouble, the MITI has put pressure on the smelters to consolidate. The first move in this direction was taken by the Mitsui Group when it acquired Nippon Steel's share of Sky Aluminium, bringing its share in the ailing company up to 27.25 per cent.

The move is expected to lead to co-operation between Mitsui Aluminium, Sky Aluminium and Showa Aluminium, whose parent company, Showa Denko, already owns 27.25 per cent of Sky Aluminium.

Many industry observers feel that if MITI continues its drive to consolidate the industry eventually there may be only two large aluminium refiners left in Japan.

MITI may be able to treat the symptoms of the industry's disease with pressure to consolidate, import quotas, and recession cartels. However, the fundamental cause of the disease—the high cost of energy in Japan—is essentially incurable.

It is for this reason that industry leaders see the development of overseas production facilities near cheap energy sources as their only hope for the future.

Japanese investment in overseas aluminium smelting facilities, which had already begun in the early 70s, greatly accelerated after the oil crisis. Out of six planned overseas joint ventures, two have already begun operations, the Enzas plant in New Zealand and the Alpac plant in Canada.

Three more are now under construction, including the Asahan project in Indonesia, the Amazon project in Brazil, and the Venalum project in Venezuela.

Assuming the Japanese can complete negotiations for a sixth in Oregon in the U.S., total Japanese investment in overseas aluminium production facilities will come to Y709bn.

The annual production capacity of these six plants will total 1,235,000 tons when the last one is completed in 1984.

Of Japan's contracted production share of 750,000 tons, an estimated 691,000 tons will be exported to Japan in 1985.

Japan's most ambitious effort to develop overseas aluminium smelting facilities is the Asahan Development project.

This development calls for the construction of a 513 megawatt hydro-electric power plant on Northern Sumatra's Asahan River, and a 225,000 ton per year aluminium smelter, downstream.

Facilities

Infrastructure facilities include the construction of a small town, roads, power transmission facilities, and a 2.5 km pier that can handle ships up to 16,000 deadweight tons. The project is now expected to be completed in 1984.

The Asahan Project is now being constructed by PT Inalum, a joint venture between Japanese investors and the Indonesian Government. In the original scheme worked out in 1975 the Nippon Asahan Aluminium Co., representing Japanese aluminium smelters, trading companies and the Japanese Government, provided 90 per cent of the capital for PT Inalum.

Since then, the project has been hit by inflation, cost overruns, and currency fluctuations, and its estimated cost has soared from $812m to $2.16bn at the present exchange rate.

In August an agreement was reached between the two countries whereby the Japanese provided additional loans and the Indonesian Government increased its equity stake in PT Inalum to 25 per cent.

Japan's other big overseas aluminium project involves the development of alumina processing and aluminium smelting facilities, near the mouth of the Amazon River.

Stephen Bronte

Raw materials

CONTINUED FROM PREVIOUS PAGE

supplying 12.4 per cent of total energy needs in 1985, with steaming coal imports at 16m tons, up from just 950,000 tonnes in fiscal 1977, and only 500,000 is fiscal 1975.

Australia and China will be major suppliers, together with South Africa, India and Canada.

Mitsui Mining Company has set up an overseas subsidiary for steaming coal exploration, and the Government is ready to provide financial aid to developers to promote steaming coal projects abroad.

Coking coal imports last year, at 55.9m tonnes, were little changed from 1973, and, given the recession in steel, demand has remained depressed this year. Japanese steel firms have negotiated major cuts in both the volume and the price of this year's imports from the U.S., their number two supplier.

They have also pressed the number one supplier, Australia, for lower prices, saying the terms of existing long-term contracts have simply become "unrealistic."

● Liquefied natural gas: Under the Government energy plan, liquefied natural gas imports will soar to 30m tonnes in 1985, from 5.06m in the 1975 base year.

An increase of this magnitude implies investment overseas on a fairly massive scale. Existing supplies come from Brunei and Abu Dhabi, and two major projects are under way in Indonesia. Japanese utilities will take all the output from the Badak fields, plus half that from the bigger Arun field.

The future could see major Japanese investments in development of the huge gas deposits on Australia's north-west shelf, and of those in Yakutsk in the Soviet Union.

● Iron-ore: Imports of iron-ore which, like oil, covers 99 per cent of Japan's requirements, amounted to 125.9m tonnes in fiscal 1977, down from 137.5m in fiscal 1973, while the dollar bill rose to $2.5bn from $2.08bn.

Again, because of the still-stagnant demand for steel, and excess world iron-ore supplies, the Japanese have been able to negotiate cuts in prices of imports from both Australia and Brazil, respectively the first and second biggest suppliers.

Japan has agreed as part of its trade surplus-cutting "emergency import" programme, to pay in advance for 2.77m tonnes of iron-ore pellets from the Robe River Development Joint Venture, in which Mitsui and Co. has an interest.

Noel Mortimer

The United States

Still the main market

DURING the last six years (fiscal 1972-1977), Japan's licensed investments in North America soared to $4.22bn, a five-fold increase over the preceding six-year period.

For a variety of reasons, it seems safe to predict a fairly rapid continuing increase, and also a sharp rise in the proportion of the investment directed towards manufacturing.

According to Ministry of International Trade and Industry (MITI) statistics, manufacturing accounted for slightly less than a quarter of the $5.40bn of outstanding Japanese investments in North America at the end of fiscal 1977.

Of the remaining $4.14bn invested in non-manufacturing ventures, $2.6bn went into commerce, banking and insurance. These figures reflect the defensive character of Japan's overseas investment strategy in the past.

Supplies

In the developing countries, which have taken close to 60 per cent of total Japanese overseas investment, the primary aim has often been to ensure stable supplies of vital raw materials (although, of course, another aim has been to set up manufacturing facilities to take advantage of cheap labour).

In the developed nations, notably the U.S., investments have gone heavily into commercial and services facilities, with the primary aim not of obtaining a great return on capital, but of securing and expanding markets for exports of finished goods.

Today, at least as far as the advanced industrialised nations are concerned, this strategy is rapidly outliving its usefulness. Firstly, defensiveness in future will more logically take the form of increased investment in manufacturing, designed to ease trade frictions by replacing imports with local production, and creating rather than destroying overseas employment.

Secondly, and rather more fundamentlly, the surge in Japanese domestic labour costs and in the value of the yen have in most cases closed the gap between production costs in Japan and other developed countries, and sharply cut the export price competitiveness of key Japanese industries.

For many Japanese companies, the U.S. is far and away the most attractive of the developed nations for overseas manufacturing investment, quite simply because it already represents the biggest overseas market for their products.

The U.S. also offers political stability, a plentiful supply of land sites and raw materials, and the English language, the only foreign tongue in which the Japanese usually have any proficiency.

Japanese companies which led the way with major manufacturing investments in the U.S. include the Sony Corporation, with its colour television plant in San Diego (and, more recently, its Dothan, Alabama video tape cassette plant), and Matsushita Electric Industrial Company, which several years ago bought from Motorola its Quasar Colour Television Production Division.

Four other electronics firms—Sanyo, Hitachi, Mitsubishi Electric and Toshiba—have since decided to take the plunge into manufacturing colour televisions in the U.S.

While the record of achievement is uneven, Japanese companies have clearly gone to great pains to adjust to unfamiliar management problems in the U.S.

Sony demonstrated considerable ingenuity and flexibility in overcoming union troubles on the way to making the San Diego plant a successful operation.

In another area, the Kikkoman Shoyu Company managed to overcome strong initial hostility to its soy sauce plant in rural Wisconsin.

Today a workable blend of U.S. and Japanese management techniques appears to be emerging, largely because the Japanese have had the good sense to leave some of their traditional business management methods at home.

The basic Japanese management philosophy of involving the employee in all aspects of corporate life, and of working to ensure that he feels he belongs, appears to be a highly exportable one.

In many Japanese-owned plants overseas, the willingness of management to spend time on the shop floor has won the respect of workers previously accustomed to more elitist managerial attitudes.

But little attempt has been made to export fundamental Japanese company concepts such as lifetime employment guarantees and decision by consensus.

A major problem could be that of providing sufficient job incentives for U.S. employees on the higher rungs of the corporate ladder.

The intricate consensus-building process still plays a major part in the Japanese head office in framing decisions which affect the company world-wide—but participation in that process calls for a familiarity with Japanese ways of thought and personal contacts—not to mention the extremely difficult language—which no non-Japanese executive could reasonably hope to acquire.

In addition, the Japanese system of seniority based on age, at least in the head office where power is centralised, could discourage ambitious US executives from joining Japanese firms.

Some Japanese corporations say they would like to instal local nationals as presidents and top executives to run their overseas operations, but complain that they have difficulty finding the right men.

The problem could become a pressing one in view of the tough measures which can be invoked in the U.S. against discrimination in employment.

Vehicle manufacturers look sure to be prominent among the Japanese companies which will in future be testing the exportability to the U.S. of their management methods—and not just of their products.

Two motor-cycle makers, Kawasaki and Honda, are already manufacturing or planning to manufacture motorcycles in the U.S. and Honda could decide to expand into car production later.

Behind them are the two Japanese automotive giants, Toyota and Nissan, which are widely expected to take the plunge into U.S. manufacturing in the not-too-distant future.

Japan's total overseas direct investment in fiscal 1977 dropped 19 per cent from the year before to $2.81bn, reflecting the reluctance of many Japanese companies to invest either in resource development or manufacturing ventures, at a time when they were suffering from excess capacity, and world economic conditions were so uncertain.

None the less, investments in North America were down only 1.9 per cent, to $735m—and those in the U.S. alone actually rose 3.5 per cent, to $686m.

When economic uncertainties in Japan and in the rest of the world clear up, an upturn in overall Japanese overseas investment can be confidently predicted.

And as the above statistics indicate, the U.S. appears sure to be a major recipient country.

Noel Mortimer

Europe

Ireland heads the list

THE PACE and scope of Japanese manufacturing investment in Europe is bound to increase over the next few years, but current attitudes and conditions on both sides of the world make it unlikely that it will play a major role in mollifying strained economic ties. Despite the attention paid to Japanese businessmen making inroads in Europe, such investment represents only about 5 per cent of Japan's total overseas manufacturing spending. A forecast made last year before the sharpest gains of the yen prompted much rethinking of corporate plans—further shows that Europe's share may actually have declined by 1980.

Several members of the EEC have stepped up efforts to attract the Japanese, hoping to reduce local unemployment and improve their trade balances. The efforts, however, have shown mixed results. One botched attempt by Hitachi to build a colour television plant in the UK, with official support, may have even helped discourage new moves into Europe by already cautious Japanese executives.

At present, Ireland claims to have drawn the greatest share of manufacturing investment (in value terms) among its fellow EEC states, outbidding Belgium, the UK and the Netherlands. Other countries, like France, have less active programmes to attract investment from Japan, but it along with West Germany and Italy aren't viewed as particularly attractive environments by Japanese businessmen looking toward Europe.

Teams

The UK, some say to its detriment, manages to frequently send teams with regular diplomatic and ministerial representatives in a confusing display of enthusiasm for certain kinds of investment from Japan. Ireland, which offers foreign manufacturers tax relief until 1990, free cash grants, loan guarantees and other incentives, has centralised all its efforts in the Industrial Development Authority (IDA), which perhaps helps explain why it has received an estimated £80-£100m in fixed capital investment in the past five years, while the UK figures its Japanese investment in manufacturing at about £12m.

In Japan, government officials and businessmen aren't optimistic over the prospects for major industries moving toward a European manufacturing base. The trend is toward small- and medium-size companies, particularly in the light electronics field, to explore the European market. It is almost a precondition that the company has had experience in exporting to Europe. A survey of Japanese companies which are involved in manufacturing or assembling products in Europe showed that 50 out of 158 responding were motivated primarily by the chance to enlarge sales, while the second most important motivation (32 companies) was defence of already established markets, followed by a desire to export to third countries (23 concerns). Sixteen cited lower labour costs; 15 named more profitable production. Only three said they would export to Japan from Europe.

NUMBER OF PRODUCTION AND/OR ASSEMBLY PROJECTS IN EUROPE, END-MARCH 1977

	West Germany	UK	Ireland	France	Italy	Belgium	Netherland	Spain	Portugal	Greece	Total	Total no of all projects
Foodstuff	1	1	2	—	—	—	—	3	1	—	8	17
Textile	—	—	1	1	—	—	—	1	3	—	6	17
Chemistry	—	2	—	3	8	4	2	2	1	2	24	29
Iron and steel	—	—	—	—	—	1	—	1	—	1	3	13
Non-ferrous metal	—	—	1	—	—	—	—	—	—	—	1	
Industrial machinery	11	4	—	1	3	2	3	3	—	—	27	42
Electric machinery	4	3	1	—	—	3	—	2	1	—	14	24
Transport equipment	—	—	—	—	—	1	—	—	1	1	3	6
Precision machinery	1	1	—	—	—	—	—	2	1	—	5	40
Other manufacturing	2	—	2	2	—	1	—	—	—	—	7	
Total manufacturing	19	11	7	7	11	12	5	14	8	4	98	188

Source: Made from the detailed information about each project surveyed in Oriental Economist, ibid.

The Japanese are extremely wary about how welcome they would be in many European countries, even those where some Japanese have successfully started industries in the past. "The problem is," says an international trade official in Tokyo, "from the Japanese view enterprises which want to leave Japan aren't welcome in Europse, and the ones that are welcome either can't afford or don't want to go." The only Japanese industries where business is booming enough to generate enough funds to consider investing abroad, like the motor industry, will face deep opposition in the markets where their exports have shown some success, like the UK, and stir up strong local opposition as a result.

Given a choice between Europe and the U.S. as a site for new facilities, the Japanese businessman inevitably feels more comfortable with the U.S. and its huge market potential. Within Europe the UK is felt to have advantages over other EEC states, because of the language problem and a large market receptive to Japanese goods.

Businessmen in Japan have been worried by the strength of communist parties in various European countries, the advent of labour participaton in management in West Germany, opposition from local industries and or unions, fears of racism and even the number of different languages and myriad of distinct local traditions and customs from one country to the next.

Adding to Japanese worries is a general lack of knowledge about Japan among Europeans. A survey showed many in Europe think conservatively ruled Japan was somehow communist. An investment promotion officer from Europe in Tokyo observed that "it is easier for Europeans to make deals among themselves . . . nothing to do with economic or good business sense, it is more to do with culture."

The cultural gaps between Japanese and Europeans haven't prevented a number of Japanese manufacturers from operating plants in Europe with a great degree of success, in some cases with seemingly fewer management problems than local concerns. In the UK, Japanese companies have carefully avoided trade union problems by settling for essentially one union shops, as is the case with Sony and Matsushita's television plants in South Wales. Managers at both these plants report that absenteeism and employee turnover, though high and somewhat worrisome by Japanese home standards, are lower than the national average. Conditions in the Zipper plant in Runcorn, near Liverpool, aren't quite as good as the highly mechanised and comparatively noisy working environment has pushed absenteeism higher than the industrial average.

Japanese executives are generally given high marks by local employees, but a long-term residence in a foreign country—once popular as a means of promotion—has become less attractive for personal reasons, particularly the problem of

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JAPANESE INTERNATIONAL COMPANIES V

South East Asia

Pouring in the cash

THIRTY-EIGHT years after the end of World War Two Japan seems well on its way to becoming the main economic influence in South-East Asia. Japan's investment in the Association of South-East Asian Nations (ASEAN) region, including the Philippines, Thailand, Malaysia, Indonesia and Singapore, came to $4.581bn at the end of fiscal 1977, representing 20.6 per cent of Japan's total overseas investment. In fiscal 1977 alone the Japanese poured $636m into the ASEAN countries, 22.6 per cent of their outward bound investment.

Although the Japanese now have a sizeable presence in South-East Asia, the large-scale movement of Japanese capital into the area is a fairly recent phenomenon. When Government restrictions on overseas investment were lifted in 1969, Japan's total overseas investment amounted to only $2.674bn and that was for the most part concentrated in a few large Government-sponsored resource development projects in Brazil, Alaska, Indonesia and the Middle East.

It was not until the Smithsonian agreement set the major Western currencies floating in 1971 that Japanese companies began to express an interest in overseas investment. With the yen rapidly appreciating, manufacturing investments in low-cost South-East Asian industry suddenly became very attractive.

Integration

In the early stages of the Japanese thrust into South-East Asia investments were concentrated in Labour-intensive, low technology areas, particularly in textiles, electronics and sundry goods. Investments in these industries reflected a new international division of labour in which the Japanese supplied the technology and management and the developing countries provided the manpower. This set-up resulted in a vertical integration of the economies of Japan and the Asean countries that led to both prosperity and problems for the companies involved.

Japanese investment was not of course solely in the manufacturing area. The resource-poor Japanese were also interested in lining up a long-term supply of raw materials from South-East Asia. A considerable proportion of Japan's South-East Asian investments are in joint ventures organised to procure oil and gas from Indonesia, tin and rubber from Malaysia, timber from Thailand and a variety of other agricultural and mineral products.

Japanese companies certainly have—or had—an abundance of reasons to invest in manufacturing facilities in South-East Asia. Besides the obvious advantage of the wage differential, Japanese companies have been able to profit from the fact that most South-East Asian countries tie their currencies to the dollar, meaning that production costs in those countries have fallen greatly in Yen terms in the last year.

By building plants within a country companies can bypass import duties, quotas and other restrictions. Since they are in effect "local" companies because they are predominantly staffed with local labour they are unlikely to face restraints on market shares or other impediments to sales growth.

Since the early 1970s the ASEAN nations have placed a high priority on economic growth and the induction of technology and have created a number of incentives to lure capital from Japan. The ASEAN governments have variously created ten-year tax shelters for specific industries, exempted export income from local taxes, agreed to restrict the entry of potential competitors and promised to construct supporting infrastructure.

Singapore, Malaysia and the Philippines have created free export industrial zones that are open to Japanese joint ventures and subsidiaries. Some countries, notably the Philippines, have gone as far as to suspend local labour laws to the benefit of foreign manufacturing companies.

Since the oil crisis there has been a noticeable shift in the character of Japanese investment in South-East Asia. Because domestic markets have become saturated with goods manufactured by Japanese subsidiaries and joint ventures for the purpose of import substitution, there is now more emphasis on the production of goods for re-export. Some host countries are insisting that the Japanese reduce their ownership in some enterprises, leading to the "localisation" of Japanese foreign investment.

Competitive

Exporters in South Korea and Taiwan have become so competitive that they are now putting pressure on Japanese ventures in South-East Asia, especially in textiles and electronics. To fend off this threat the Japanese are having to raise the technology level of their ASEAN investments, relying more heavily on added value and less on cheap labour to keep a competitive edge.

The result has been a shift from a vertically to a horizontally integrated economic relationship between Japan and South-East Asia that will raise the competitive ability of the ASEAN countries in the world market and give them the technology that they have been seeking.

There has also been a growing official presence in Japanese investment in South-East Asia. The Japanese Government has taken an active role in providing equity and loans through its Overseas Economic Co-operation Fund (OECF) for large projects that are of strategic value to Japan but are too risky for the private sector alone to undertake. Examples are the Asahan aluminium and hydroelectric project in Indonesia, and petrochemical projects in Singapore.

The Government has also offered $1bn in financing for five joint ASEAN projects provided that they are shown to be economically viable. These include production facilities for diesel engines in Singapore, for urea in Indonesia and Malaysia, soda ash in Thailand and superphosphate fertiliser in the Philippines. Each project will be owned 60 per cent by the host country and 10 per cent by each of the four other ASEAN nations.

Results

There is no doubt that Japanese investment has stimulated economic growth and expanded employment in South-East Asia. But the sudden influx of Japanese companies into the region has created a number of social and political problems. Many Japanese joint ventures and subsidiaries were so efficiently organised and managed that they often put purely domestic competitors out of business. The end-result was not an overall increase in economic activity but a simple replacement of local enterprises with Japanese-owned companies.

The Japanese often concentrated their investments only in the most lucrative sectors of the economy, leaving the marginally profitable areas to the locals. These profits were then not reinvested but repatriated to the homeland. Investment was often made for the purpose of import substitution based on the local assembly of imported components for local sales, worsening the host country's trade balance in the process.

Major problems surfaced in relations between Japanese management and local employees. Many Japanese parent companies refused to delegate responsibilities, preferring to make all of the decisions in Japan. The Japanese were accused of possessing a "business first" mentality and engaging in ruthless business practices. Inability to learn difficulty foreign languages and customs prevented the Japanese from integrating with the local community.

Anti-Japanese feeling has burst into violence on a number of occasions. Students demonstrated against Japanese economic domination in Thailand in 1972, and when the Japanese Prime Minister Kakuei Tanaka visited Indonesia in 1974 he was mobbed by angry crowds.

In recent years the Japanese have made a concentrated effort to improve their image in South-East Asia. The Japan Overseas Enterprise Association (JOEA) was founded in 1974 for the purpose of smoothing overseas industrial relations. Financed by 350 major Japanese corporate overseas investors, the organisation helps to prepare Japanese managers appointed to run foreign subsidiaries and joint ventures through training in language courses and seminars on local customs and business practices.

However, officials of the JOEA admit that despite their efforts over the past few years there is still an undercurrent of anti-Japanese feeling in South-East Asia.

Japanese investment in the region will continue to expand, although not as rapidly as in the past. In an effort to reduce the country's large balance of trade surplus the Ministry of International Trade and Industry (MITI) has been giving "administrative guidance" to the private sector to step up overseas investments. However, the primary destinations of this new flow of Japanese capital overseas are the U.S. and the EEC. With the dollar/yen rate down in the dumps the incentive to invest in the U.S. is very strong.

Stephen Bronte

Europe

CONTINUED FROM PREVIOUS PAGE

educating school-age children who may return to Japan later with a crucial disadvantage in Japan's highly competitive education system.

The increasingly attractive alternative to direct wholly owned investment in facilities in Europe is buying into established European companies, or creating joint ventures with local partners. This alternative, however, is less attractive from the Japanese point of view than the Europeans. Few Japanese businesses want the headaches of acquiring possibly outmoded production facilities, and existing labour problems. The preference is for heavy investment in modern facilities, utilising their own technology and know-how.

The UK Government breathed a sigh of relief when Toshiba Corp., a major Japanese electronics maker, announced a joint venture agreement to make televisions with Rank Industries following a few months after Hitachi withdrew its government-backed plan for a wholly owned television subsidiary because of local industry and union opposition. Other Japanese electronics makers are also known to be discussing joint ventures in the UK.

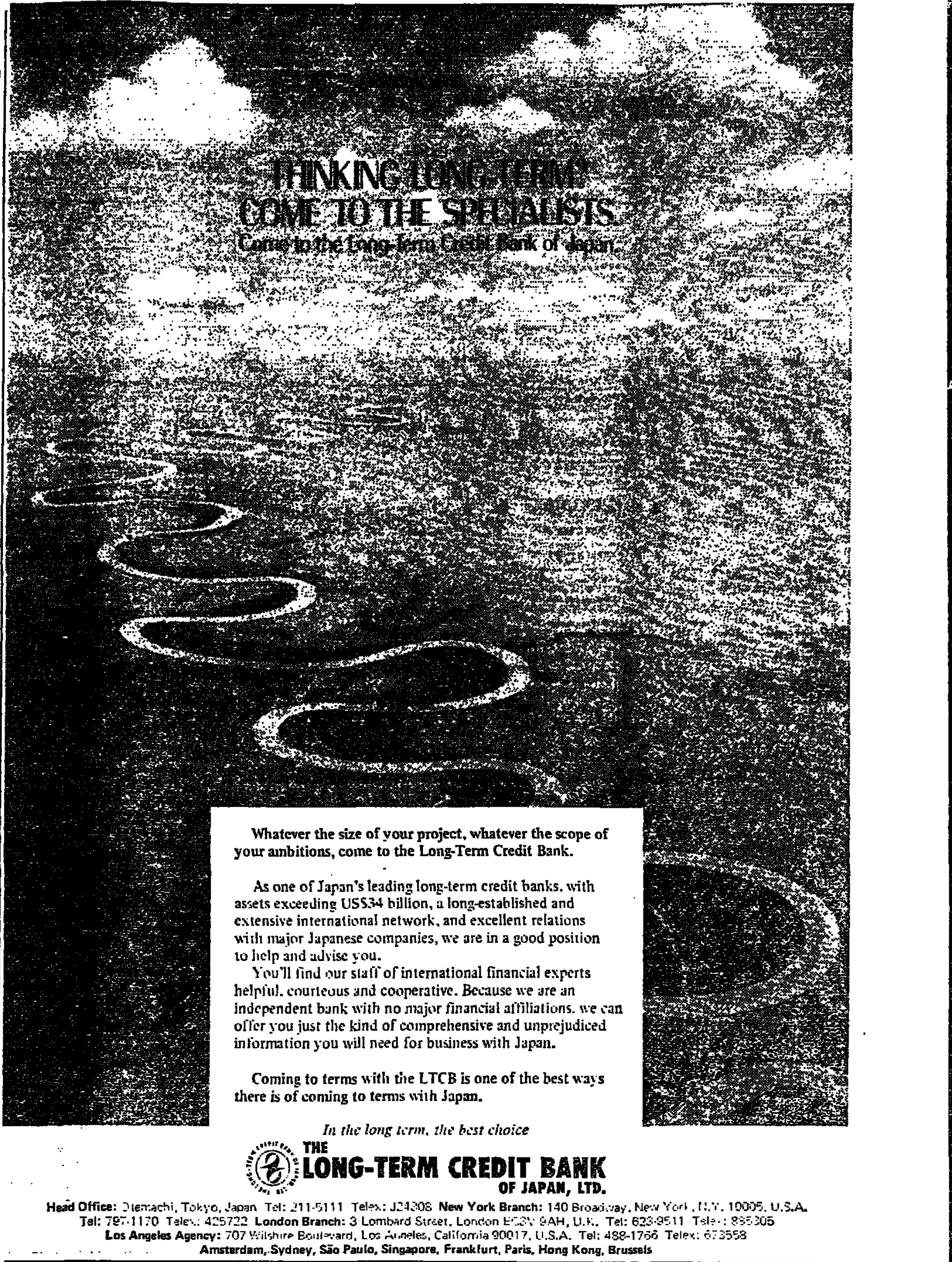
Japanese observers were surprised that the Government had given any encouragement to Hitachi in the first place, considering the existence of two other Japanese television makers already. Matsushita, in fact, had been told it would be the last Japanese maker to be allowed in five years ago.

Atmosphere

After a spurt of Japanese investment in the early 1970s, the atmosphere in Europe has changed over the past two years, the Japanese say. The change has been for the worse as trade frictions have spurred threats of protectionism if Japanese exporters didn't limit their market penetration and if Japan didn't substantially increase its imports of goods from the EEC. The worst appears to be over: while Japan-EEC trade continues heavily in Japan's favour, there has been some improvement in areas like imported European manufactured goods. Steel, motor bearings and electronics exports from Japan are controlled or limited in various EEC states.

Few in Japan expect that Europe would be suitable for a major investment in manufacturing motor vehicles on a large-scale, for example, for at least the next five years. Ironically, there is reason to doubt that the psychological and economic barriers which remain between Europe and Japan will be dismantled without a steady increase in the Japanese manufacturing presence in Europe.

Richard Hanson



Investment

New moves overseas

ALTHOUGH JAPAN almost certainly over-invested in the expansion of its domestic industrial capacity during the years up to 1974, it has been strikingly timid up to now in its approach to overseas manufacturing investment.

As pointed out in the introduction to this Survey, Japan ranks well behind other advanced countries both in the absolute amount of its overseas investments and in the ratio of those investments to GNP and to international trade turnover. An equally striking gap exists between Japan and the industrialised west in the extent to which overseas investments have been channelled into manufacturing ventures (rather than into resource development or commerce).

At the end of 1976 when the Ministry of International Trade and Industry (MITI) conducted a detailed survey of the Japanese investment scene, about 31 per cent of total overseas Japanese investment was in maufacturing, whereas West Germany, for example, has over three-quarters of its foreign direct investment tied up in manufacturing ventures. There are signs that Japanese industry may start to catch up in the overseas manufacturing investment stakes during the next few years, but there is much ground to be covered before the Japanese manufacturing presence equals that of other advanced countries—particularly in the advanced countries themselves.

Japanese investors — unlike U.S. investors in the developing world—did not, and still do not, insist on a high degree of control over their overseas manufacturing ventures. The average stake held by Japanese parent concerns in overseas manufacturinig ventures as of late 1976 was 56.1 per cent, with the remainder of the capital held by joint venture partners in the "host" countries.

A major reason why Japan has lagged behind as an investor in overseas manufacturing is that foreign investment was severely restricted by the Government until the late 1960s, primarily in order to protect the balance of payments. A few major investments were undertaken in the 1950s and early 1960s under direct Government sponsorship, but these were mainly in resource development (e.g. the Arabian Oil Company and the North Sumatra Oil Development Corporation, both established in the early 1960s).

Japanese companies did not begin to establish overseas manufacturing ventures in significant numbers until after 1969 when the Finance Ministry began to lift restrictions on direct overseas investment. When they did so, they directed their attention mainly towards South-East Asia and Latin America, undertaking projects that were meant to take advantage of cheap labour and plentiful raw materials.

Something of a rush of Japanese investment into South East Asian and Latin American manufacturing ventures occurred in 1972 and 1973—years when funds were plentiful and when Japan itself appeared to be running out of labour, as well as of places in which to build new factories. From 1974 onwards there was a reaction caused partly by the global recession which followed the 1973 oil crisis and partly by the extremely poor results, in terms of sales and profits, of many overseas manufacturing ventures.

The ratio of profits to capital of Japanese-owned factories outside Japan (or rather of those covered by the MITI survey in question) fell from 4.4 per cent in 1972, when the investment rush was getting under way, to 0.3 per cent in 1975 (by which time only 53 per cent of all the ventures covered by the MITI survey were reporting profits at all). Profits in Japan itself also deteriorated sharply between 1973 and 1975, but not as sharply as those of the overseas manufacturing subsidiaries of Japanese companies.

Reaction

Disillusion with the results of the 1972-73 manufacturing investment boom produced a sharp reaction in the number of projects implemented in 1975 (the value of projects approved by the Government actually halved from $1.52bn in 1973 to $879m in 1974). In the last three years there has been a modest recovery in overseas manufacturing investment in value terms, with the approvals figure touching $1.07bn in fiscal year 1977 (ending last March). This, however, reflects the impact of inflation on the value of individual projects and should not be considered a pointer to any real recovery—as yet—in the actual rate of investment in manufacturing.

Another aspect of the situation, not covered by Government statistics, is the winding up or closing down of existing investments in some developing countries. This, apparently, has been going on on a substantial scale, although Japanese companies who decide to write off their overseas investment naturally do not draw attention to the fact more than is strictly necessary.

The positive side of the overseas manufacturing investment picture is that plans for future investment projects (i.e. for some two to three years ahead) are once again on the increase. This has been verified by yet another of the numerous MITI surveys on the Japanese investment outlook and appears to be due overwhelmingly to a single factor—that yen revaluation has transformed the relationship between manufacturing costs in Japan and those in the rest of the world (including developed countries like the U.S. and the UK).

The MITI survey indicates that the number of Japanese manufacturing companies which expect to invest abroad in 1980 is nearly three times the number that actually did invest abroad in 1976. It also indicates that 60 per cent of overseas investment ventures are likely to be in manufacturing, compared with the share of 30 per cent of existing investments which is accounted for by manufacturing.

A final, and highly significant finding of recent surveys, is that Japanese would-be investors are now directing their attention towards other advanced countries as well as towards more traditional investment "destinations" in the developing world. This is being done for three reasons, of which the first is the already mentioned factor of yen revaluation. The other two significant factors are the rise of protectionism in developed countries (which Japanese investors hope to counteract, at least in part by the establishment of on-the-spot manufacturing ventures) and the realisation that investments in advanced countries often tend to yield higher profits than those in developing countries.

In considering manufacturing investments in the developing world Japanese companies have to consider "political" questions, such as the extent to which the Japanese style of management is likely to be welcome in sophisticated western countries, as well as more straightforward cost factors. There is evidence that the Japanese business world is more confident at present than its investments are welcome in the U.S., where quite a number of success stories have already been recorded, than in Europe where Japanese factories are still very few and far between.

Even so it seems certain that the plunge will be taken during the next few years, with the main flow of investments being directed, in all probability, to countries where English is either the native language or is at least widely understood. If all goes well Europeans may, by the early 1980s, have come to regard working for a Japanese employer as not much more out of the ordinary than working for an American.

C. S.

Textiles

Uncertain prospects

IT IS A STORY that has by now become familiar. In order to fight off an onslaught of cheap imports, domestic manufacturers announced their intention to file an anti-dumping suit.

However, this time the cries for protectionism, instead of coming from the U.S. or the EEC where domestic producers have resorted to legal action to restrict Japanese exports of steel and colour television sets, came from none other than the Japanese themselves.

In late September, Japan's nine major manufacturers of synthetic fibres indicated that they would file a complaint with the Ministry of Finance charging that manufacturers in the U.S., South Korea, and Taiwan were dumping acrylic staple in Japan.

By selling acrylic staple for Y300 per kilogram in Japan, Y100 below the domestic manufacturer's price, foreign synthetic textile producers had been able to quickly win about 10 per cent of the Japanese market.

The threatened action would mark the first time that a Japanese industry had sought protection within the GATT framework.

Although it is unlikely that the MOF will pursue the matter seriously in the international political environment, the action gives some indication of how badly business conditions have deteriorated in the Japanese textile industry.

While only seven years ago the Japanese textile industry was powerful enough to spark a trade war between the U.S. and Japan, textile manufacturers are now perhaps the most vulnerable sector of Japan's industrial structure.

Japan's synthetic fibre producers are being confronted with a number of unpleasant realities. They are dependent on the domestic oil refiners for the supply of naphtha, their basic raw material.

While the appreciation of the yen should in theory translate out into lower petroleum, and hece naphtha prices, the oil refiners have so far refused to pass these foreign exchange gains on to petrochemical and synthetic fibre producers.

Pressure from the industry finally forced the Government to intervene, and naptha prices were marginally reduced. The price of naptha is still being hotly debated in Japan.

The refiners' intransigence over the naptha price means that the synthetic textile manufacturers are suffering all of the disadvantages of the strong yen, but are getting none of the benefits.

Companies that once exported up to half of their production have watched their overseas markets disappear because of their inability to maintain competitive prices. The loss of the export markets has been the major factor behind the tailspin in the industry's sales.

The beneficiaries of the structural weakness of the Japanese textile industry are textile manufacturers in Taiwan and South Korea, who have been rapidly expanding their own production capacities.

Taking advantage of the low cost of domestic labour, special tax incentives, and the creation of free export industrial zones, these carve out a hefty share of the world textile market at the expense of the Japanese.

Spinners of natural fibres are also seen having a difficult time, although they do not have the same problem with high cost raw materials as the synthetic textile industry does.

Spinners import their cotton and wool stock fibres from the U.S., Australia, and other countries with prices fixed by dollar-denominated contracts.

The falling cost of raw materials has helped domestic sales somewhat, but the industry still must contend with a steady drop in export sales because of high production costs. The situation has led to a production overcapacity problem that is no less severe than for the synthetic textile manufacturers.

The necessity for a major structural readjustment of the Japanese textile industry is evident in the bleak business results turned in by the leading companies.

To help the industry back on its feet, the Japanese Government is employing the tried and true formula of enforced production cutbacks, the mandatory scrapping of excess production capacity, and industry consolidation.

The Ministry of International Trade and Industry (MITI) gave "administrative guidance" to the synthetic fibre industry to cut back production until the fair trade commission (FTC) authorised an anti-recession cartel from April. The cartel requires production cutbacks of 25-30 per cent for polyester filaments, polyester staple, nylon filaments, and acryl staple.

Cotton spinners have been operating an FTC-authorised cartel since April last year which calls for 15 per cent production cut and scrapping of 20 per cent of the industry's spinning capacity.

A consolidation trend has already begun within the industry, with encouragement from MITI, which may eventually see the top synthetic fibre producers coalesce into four large companies.

Last November, Mitsubishi Rayon and Toyobo set up a joint sales company, named DIA Fibers. Asahi Chemical and Kanebo followed by founding the Nippon Synthetic Fibres Co., which will handle joint sales for three main products.

Teijin and Unitaka went a step further when they announced a plan to team up on joint sales and production in April. A possible tie-up between Kuraray and Toray, the last two large-sized synthetic fibre companies to remain independent, has been widely rumoured.

However, there are complications that seem certain to impede the consolidation process. Conflicting Zaibatsu affiliations will make some of the proposed mergers difficult to achieve, as in the case of Teijin and Unitaka.

So far, a total of 3,543 textile firms have been granted Y39,735m for the development of new knowledge-intensive industries, the scrapping of excess equipment, and the joint use of production and stockpiling facilities.

Earlier this year, the structurally recessed industry law was passed to help the major synthetic fibre producers achieve similar targets.

The most conspicuous element of the restructuring of the textile industry has been the large-scale transfer of production facilities overseas. Realising that any labour intensive industry in Japan was

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Electronics

Production boost

IAPAN'S LEADING electronics irms have been fairly quick to ee the need for overseas pro- luction facilities, to cope with he threats posed to exports by ising domestic wage costs, rotectionism, and the surge in he value of the yen.

In the U.S., Sony Corporation egan producing colour tele- ision sets at its San Diego plant n 1972, well before any of the hreats assumed their recent roportions.

Since then, five other industry eaders have taken the plunge nto U.S.-based manufacturing f colour TV.

This year, for the first time, V production in the U.S. by apanese firms will exceed apan's total exports to the U.S. narket, which are now limited y a Japan-U.S. Government- evel agreement to a maximum f 1.75m sets annually.

In Europe, both Sony and fatsushita Electric Industrial ave for some years had their wn colour TV-making plants in he UK, and this year, Sanyo lectric and Toshiba Corpora- ion gained footholds in Euro- ean production, the former by cquiring a 30 per cent stake in taly's Emerson Electronics Spa, nd the latter by setting up a oint venture with Britain's ank Organisation.

ncrease

Predictably, the pace of the ndustry's move overseas has een stepped up since the yen egan its steep climb in value round the beginning of 1977, nd since the Japan-U.S. agree- ent on a volume export ceiling ook effect in July last year.

So far in 1978, hardly a onth has gone by without the nnouncement by a Japanese ectronics company of a new verseas sales or manufacturing enture, or of the expansion of xisting overseas facilities.

It should not be assumed, owever, that the overseas in- estment rush will continue—at east as far as manufacturing entures (as opposed to sales utlets) are concerned.

Sony, for one example, already roduces abroad about 30 per ent of its overseas sales which account for 60 per cent f total turnover). Sanyo lectric, for another example, aiming to boost overseas pro- uction to 30 per cent of total urnover within this year.

Manufacturing investments verseas so far have been made large part to protect and aintain foreign markets for e Japanese firms' leading con- umer products of the seventies -most notably colour TVs, but so others including audio uipment and other home pliances such as refrigerators.

Increasingly, these markets, the developed countries, are ing to consist of replacement emand.

This does not mean there will t be a need for some more arket-protecting manufactur- g investments, both in the veloped countries themselves and in less developed coun- ies—to take advantage of wer production costs for ports, and to tap the LDCs wn growing markets for the me products.

But the fastest growth areas r the Japanese companies in the eighties are likely to be newer consumer products, such as video tape recorders (VTRs), and more sophisticated successors, and non-consumer products and applications.

It is far from clear at present that the Japanese will quickly want—or need—to move over- seas to produce their key products of the next decade.

The U.S. has so far been the main focus of the Japanese companies' investment atten- tion, for the very good reason that, for most of them, it is easily the most important foreign market.

Sony, which says labour costs at San Diego fell below those in Japan at around the time the yen rose beyond 240 per dollar, is busy expanding the California plant's production at a cost of $14m (following start- up in 1972, production had reached 400,000 sets a year by 1976).

Sony is also expanding audio and video tape production at its Dothan, Alabama facility.

Monthly production capacity of video cassette tapes is expected to be doubled to 500,000 by the end of this year, making the plant the biggest video cassette tape plant in the world, the company says.

Part of the plant's output is being exported to the European market.

Matsushita Electric Industrial, after buying Motorola's Illinois colour TV plant in 1974, almost doubled production from the starting level to 600,000 sets last year.

The company originally imported picture tubes from Japan, but switched to GTE Sylvania Inc. when export restrictions started.

The more recent Japanese entrants into U.S. colour TV manufacturing are Sanyo Elec- tric, which bought a plant in Arkansas in late 1976 from Warwick Electronics; Mitsu- bishi Electric, which began production at a California plant of its own early this year (and has since announced plans to double output to 10,000 sets a month by the end of 1978); Hitachi, which reached an agree- ment with General Electric Company to form a 50-50 joint venture for colour TV produc- tion and marketing, perhaps beginning this autumn; and Toshiba Corporation, which is building a new factory in Ten- nessee, and also plans to start up by the end of this year.

Total colour TV production by Japanese firms in the U.S. is considered by industry sources sure to top 1.75m sets this year, and likely to exceed 2m in 1979.

The Japanese firms' advance into European manufacturing has been more hesitant than that into the U.S., and thus there still appears to be con- siderable scope for increased investment — particularly in view of recent moves by Euro- pean electronics manufacturers to curb imports of colour TV tubes from Japan.

Hitachi, which last year aban- doned its plans to manufacture in Britain in the face of strong trades union resistance, has since denied reports of a pos- sible deal with General Electric to take over its UK television production interests.

Problems

Despite the obvious strong attractions of European produc- tion bases, which allow them to get around EEC tariffs, the Japanese firms may continue to be held back by linguistic and cultural problems, fears of labour disputes, and—most fundamentally, perhaps—a lin- gering feeling that their invest- ment presence is still not really welcome.

In other areas of the world, joint manufacturing ventures in Singapore have proved to be an attractive way for Japanese electronics companies to tap the growing markets of the five member countries of the Asso- ciation of South East Asian Nations (ASEAN).

The VTR is seen by the Japanese industry as the next mainstay consumer product to follow colour television sets, and the sales war among Japanese firms has already spread overseas.

Total Japanese VTR produc- tion value topped Y100bn last year.

Domestic demand in 1978 was estimated by the industry at around 500,000, compared to 700,000 in the U.S.

With exports starting to Europe, the year's production volume could almost double to around 1.3m sets.

The Sony - Sanyo - Toshiba grouping — producing "Beta- max," "betaformat" VTR's— have tied up in the U.S. with Zenith Radio and the retailer Sears Roebuck, while the Mat- sushita Electric-Victor Co- Hitachi-Mitsubishi Electric Alli- ance has reached marketing agreements with RCA Corp, GTE Sylvania, Magnavox and General Electric.

In Europe, Sony has set up this year a Dutch subsidiary to handle European sales of broad- cast video equipment, while Sony and all the companies in its VTR grouping have begun exports to Europe of their home- use VTR's.

Their opponents are keeping pace.

Victor Co., for example (which was the company respon- sible for perfecting the tech- nology of the VHS system marketed by the larger Matsu- shita Electric, and by the other firms in the alliance), has this year begun to supply home-use sets to Thorn of Britain and Thomson-Brandt of France, under long-term agreements which provide for local produc- tion by the European firms, with Victor's technological help, at a later date.

The Japanese firms appear confident they have the competi- tion from Philips—the only European VTR producer—well under control.

Depending of course on pro- tectionist and other trends, it could be a fairly long time before the Japanese companies feel the need for overseas pro- duction of VTR's.

While they are now hoping for rapid expansion of both domestic and overseas VTR demand, they are well aware the growth will be considerably slower than was that for colour TVs.

One industry estimate is that it will take about 10 years from the start of domestic marketing in 1975 to get VTRs installed in 50 per cent of Japanese homes.

The colour TV, by compari- son, took 10 years to reach 90 per cent penetration.

The two Japanese VTR pro- duction groups seem to have invested in ample production capacity at home to meet estimated domestic and foreign demand for the time being.

And production overseas would require fairly heavy capital outlays—and a fairly sophisticated and well-trained labour force.

This last point could be crucial in determining the scale of future overseas manufactur- ing investment by Japanese electronics firms.

The most probable boom in electronics in the first half of the 1980s is not in consumer products but in electronic parts —such as integrated circuits— and in industrial product applications of the new electronics age.

For a considerable time into the future, the Japanese might find the best way to exploit that boom is to use its own labour force and a combination of licensing and marketing agree- ments to win and increase over- seas market shares.

Noel Mortimer

Prospects

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doomed, the large textile companies aggressively antici- pated in the overseas investment boom of the early '70s.

The industry's target was to achieve an international vertical integration in which the labour-intensive aspect of production was assigned to low- waged Asian countries.

South Korea, Taiwan, Thailand and the Philippines saw enormous investment by the large Japanese textile companies which now rely on overseas production for up to half of their output.

Leading the overseas thrust is Toray, which has been the driving force behind Hong Kong's Textile Alliance (TAL).

Toray's aim is to build TAL into an internationally integrated textile group, capable of manufacturing both synthetic and natural fibre products. TAL has acquired plants in Hong Kong, Thailand, Malaysia and Singapore.

TAL is 49.9 per cent-owned by Toray, with the remainder held by Jardine Matheson (11.2 per cent), C. Itoh and Co. (9 per cent), and Lees Investment (6.4 per cent).

Unfortunately, Toray's TAL venture was poorly-timed. A major stock building and capital expenditure programme was completed just before the reces- sion, and the venture has since then been burdened with excess capacity and unsaleable stock- piles.

As a result, TAL has lost over $65m in the past four years. But Toray officials are optimistic that they have turned the corner this year, citing the sale of some of TAL's more un- profitable subsidiaries, and expect to make a profit in this fiscal year.

Results

In the past few months there have been hopeful signs that all of the various rescue measures undertaken by the Japanese Government and the industry itself were finally producing some results.

Domestic prices for synthetic fibres have sharply rebounded since the beginning of the year, while natural fibre spinners have been able to improve their position because of the lower cost of raw materials afforded by the strong yen.

The top seven synthetic fibre manufacturers are predicting combined net profits of Y8.4bn for the fiscal year ending March 31, 1979. Although these profits will have a large non-recurring element derived from the sale of securities, property, and fixed assets, the improvement over previous years cannot be ques- tioned.

However, despite the upturn in conditions this year, the fun- damental structural problems nagging the industry still are a long way from being solved.

C.S.

The motor industry

Car makers under pressure

JAPAN'S MOTOR companies, unlike the cars they produce do not look alike. That practically every one of them is scoring major successes in export markets in 1978 is not reason enough to lump them in the same basket—although this has clearly been the tendency in Europe and the U.S. The scale of their operations differs immensely. Toyota is a Y2,500bn a year business—Honda's car sales in 1977 were just under Y480bn. Workforces range from the smallest among the principal car makers (Mitsubishi's 22,000) to Nissan's 56,400.

Above all Japan's car makers show drastically different performances where it most counts—productivity. At the last count one Toyota employee accounted for 55 vehicles rolling off the groups assembly lines each year. That performance is unrivalled even at Nissan, which build only about 4 Datsuns per worker. And although Toyo Kogyo has revived from the worst of its troubles and now boasts a productivity ratio of about 30 Mazdas per employee, as recently as 1975 output-per-man was under 19 cars—poor by any international standard.

Toyota and Nissan — the majors—between them share 70 per cent of the Japanese market, and Datsuns have a slight edge over Toyotas overseas.

Motorcycle maker Honda hit the jackpot with its Civic and Accord cars. Honda's target was a sizeable chunk of Toyota's and Nissan's market, especially in America. Likewise Mitsubishi Motors was set up independently only in 1971 and wanted to snap at the leaders' heels in America.

Honda's strategy has been to upgrade its cars and sell preponderantly in America. Mitsubishi, with its hands partially tied by a 15 per cent equity stake Chrysler has in the Japanese company, had to concentrate first on Japan.

Meanwhile Honda has become Japan's No. 3 exporter, and Mitsubishi No. 3 in domestic sales. Honda now has its American market and is expected by the end of this year to announce plans to build a U.S. assembly plant—and then use the export capacity in existing plants to present a challenge to the leaders on their own Japanese turf.

Mitsubishi now reckons it can let up a bit at home and take some of the American market (it has been doing especially well in West Germany). If not in the same boat both are headed for the same destination.

Toyo Kogyo, the makers of Mazda cars, is a case apart, having invested heavily before the oil crisis in fuel guzzling rotary engines. Toyo Kogyo saw its exports collapse in 1973. Sales in America fell from 110,000 units to a third of that number, and the share of rotary-powered cars in the total fell meantime from 80 per cent to 20 per cent.

Exports

Neither Isuzu or Fuji Heavy Industries is keyed to car production, though both do a big truck export business (29 per cent at Fuji and 33 per cent at Isuzu). As a result strategies in exporting cars are not geared to high-volume low-price marketing.

Both companies have another thing in common besides their less than usual reliance on cars: both have big brothers. For Isuzu it is General Motors (GM) one-third shareholding. In the past GM has insisted on keeping Isuzu cars out of the American market. In recent talks, however, GM suggested that Isuzu might build a "basic" compact, which GM would market alongside its own small cars in the 1980s.

For Fuji the big brother is a domestic one—Nissan. Japan's No. 2 car producer, which has a 7.4 per cent equity stake in Fuji but has not been able to quash all plans for car-sector expansion (although Nissan's pressure on Fuji not to attack the UK market with its Subaru Leone did coincide with Ministry of International Trade and Industry's decision early in 1978 to restrict each company's sales to Britain at the previous year's level).

In short, neither company is completely its own master in the car business. And although Isuzu's Gemini and Fuji's Subaru models are gaining ground fast in Asian markets, there are obstacles in their path if they want to repeat their Asian successes in America or Europe.

Just as Japan's car companies look different from each other, the industry itself is under intense pressure to make the switch from building high-volume low-price cars to low-volume, high-revenue ones. An obvious thorn in their collective side is the American motor industry's push into the small car business. Officials at Toyota and Nissan talk openly of the severe damage this could do to Japanese small car exports by 1980.

But the pressure is not only coming from America. It is a consequence of the changes inside Japan's own motor industry—above all, the shift from low to high labour costs. According to the Japan Automobile Manufacturers' Association (JAMA), in 1972 Toyota's per capita labour costs were little over half of Ford's in America. By 1976 the same reckoning put Toyota's labour costs at $14,400 a head and Ford's at $15,000.

Without doing any inflation sums, the 1976 manpower costs translated at today's yen-dollar exchange rate puts Toyota's labour costs more than 20 per cent higher than Ford's—and the entire Japanese industry's average about on a par with West Germany's.

Labour cost sums are never very reliable, especially in Japan where they do not give fair play to the heavy reliance on labour-intensive (if cheaper) sub-contracting work. But there is no doubt the yen's appreciation over the past 18 months has pegged Japanese car industry wages several notches higher than those in America (even if domestic purchasing power still lags behind). The long-term implication of "labour-cost drift" is clear: the Americans, with a home market twice the size of Japan's, can also make cars more cheaply. Hence the "cheap" component in Japanese car exports must inevitably disappear. But how soon?

It is already happening. The major car companies have embarked on ambitious plans to upgrade the "quality" component of their exports in the hopes that profits will be sustained on a substantially lower volume of unit sales. The evidence so far, is that the experiment is working admirably. Toyota's Celica costs twice the price of its best-selling Corolla, and already accounts for about a third of U.S. earnings. Likewise, Toyo Kogyo's Mazda RX-7 sports car—rotary-engined—is priced at about twice the family-sized GLC (which has a piston-engine).

As a result of booming GLC sales in America the RX-7 success is icing on Toyo Kogyo's cake and has already grown to be 30 per cent of a greatly expanded sales volume. Meanwhile, Toyota plans to market an upgraded Celica XX in the U.S. at perhaps 20 per cent more than current model prices, and Nissan has redesigned and put up the price on its long-standing success, the 280Z.

In America even Isuzu is designing a sports car (though it will not be ready before 1980) and Honda will bring its most expensive car ever on to the market next spring—an upgraded sports version of the Accord (but to be priced considerably higher, according to industry sources). There are also innovative new car ideas incorporating diesel and gas turbine engines. So the era of Japanese "speciality" cars is only now dawning.

How each Japanese maker will fare from now on is an open question. Clearly the strategies of the second-ranked companies like Toyo Kogyo, Mitsubishi and Honda are geared to taking substantive shares of export and domestic markets from the "majors"—Toyota and Nissan. Given the high level of spending on R and D by these companies, why not? But it is equally certain that the cost of building cars in Japan is becoming progressivly prohibitive. The industry's answer will inevitably be more knock-down assembly plants (in Asia) and integrated manufacturing facilities (in America and/or Europe).

For the present, however, companies like Nissan and Toyota have their hands full coping with the seven, eight and sometimes nine price rises they have had to enforce overseas since January 1977, because of the strength of the yen.

Douglas Ramsey

Steel

Demand still depressed

JAPANESE STEEL firms may have overinvested in production capacity at home, but they have maintained a fairly cautious attitude towards investment in overseas production ventures. That is at least one thing they can be glad about in the midst of the current slump in both the Japanese and world steel markets.

Japanese steel output in fiscal 1977 ended last March totalled only 100.6m tonnes, down from the peak of 119m tonnes in 1973 and compared to capacity of over 140m tonnes. With domestic demand still sluggish, and exports seen falling by around 10 per cent from last year's 34.28m tonnes because of low demand and import restrictions, fiscal 1978 production is likely to remain around last year's depressed level.

Globally, steel production last year was estimated by the International Iron and Steel Institute (IISI) at 674m tonnes, compared to capacity of 850m tonnes.

The production of steel-making plants overseas in which Japanese firms have stakes is equal, of course, to only a tiny fraction of domestic production. The figure is about 3m tonnes, according to estimates by the Japan Iron and Steel Federation. Most of that is accounted for by the 2.4m tonnes per year Usiminas steel complex in Brazil, in which a group of Japanese companies (led by Nippon Steel) and Japan's Overseas Economic Cooperation Fund hold a stake of 18 per cent—reduced from the original 40 per cent.

The capacity of the complex is due to be expanded to 3.5m tonnes by the end of next year, and the Brazilians have informally asked the Japanese investors to participate in a new capital increase to boost capacity still further. Given the scale of demand for the plant's output within Brazil, the Japanese may agree to go along.

Another project, which began production last month, is a 400,000 tonnes per year steel bar-making plant in Qatar, in which Kobe Steel has a 20 per cent stake and Tokyo Boeki, a Japanese trading firm, a further 10 per cent.

Japanese steel firms also have stakes in a number of steel product processing plants around South East Asia.

One major project for the future which still appears to be on the tracks (although it has been considerably delayed), is the $2.7bn Tubarao project, also in Brazil.

Sources at the Brazilian state steel holding company, Siderbras, were quoted recently as saying the agreement to build the plant was being maintained in the same form—with Japan's Kawasaki Steel and Italy's Finisider each holding a 24.5 per cent stake, and Siderbras the remainder.

Speculation

This follows speculation in Brazil about possible renegotiation of the contract, involving a change in the foreign participation. It is still believed that Siderbras has been discussing with its partners the possibility of increasing Bra ilian industry participation in supplying materials to the plant, but this would be to keep costs down, and would not affect Kawasaki's or Finsider's stakes in the project. The plant is scheduled to start up in August 1982, with an annual capacity of 6m tonnes of steel slabs.

On the resources investment side, the Japanese companies have moved in recent years to raise the number of "develop-and-import" schemes overseas, so that iron ore supplies from development projects in which the Japanese have a stake now account for over 50 per cent of total imports. The ratio for coking coal should also top 50 per cent within a year or so.

In the present buyers' market for steel-making raw materials, however, the Japanese are hardly rushing to make further investments in overseas development projects.

Japanese steel companies have been able to negotiate price reductions this year in iron ore supplied under long-term contract arrangements with Australia—which provides about half of total Japanese needs. They have also negotiated sharp reductions in prices of U.S. coking coal supplies.

Looking to the future, Japanese steelmakers see a major role for themselves overseas in supplying know-how and equipment to less developed countries. Early this year, Nippon Steel announced it had won orders from both Brazil and Portugal for steel-making equipment, and Kobe Steel won a Y30bn contract from a Kuwaiti-Mauritanian joint venture company to build a pelletised iron ore plant in Mauritania.

In July, Mitsui and Co., the trading company, announced a $33m order from the Iron and Steel Company of Trinidad and Tobago for electric furnaces and continuous casting systems for use in a steel plant there now being built.

The huge market opening up in the know-how and equipment field is, however, China. Major Japanese steel companies, led by Nippon Steel, will provide technological know-how and equipment for the steel plant the Chinese plan to build near Shanghai, scheduled to start up in 1980, with first stage capacity of 6m tonnes—possibly to be doubled later.

Other major deals of this kind appear certain to follow, as Sino-Japanese economic ties become closer after the signing this year of the peace and friendship treaty. The Chinese have already made inquiries with Japanese steel companies for co-operation in building another major steel plant at Chitung in the Northern province of Hopei.

By a Correspondent

Nuclear industry : a giant hemmed in

BY DAVID FISHLOCK, Science Editor

THE NEWS that Iran is seeking o cut its nuclear power budget s undoubtedly a serious blow o the main nuclear exporting ıations, including the U.S. West Germany holds "letters of ntent" for the building of four nore plants in the country, in ıddition to the two already in ın advanced state of construcion. The French, who are also building two in Iran, had hoped or more. But the U.S. nuclear ompanies also believed they night secure enough orders rom Iran this year to push heir tally of units sold in 1978 o the highest figure since 1974.

At the Nuclex exhibition of ıuclear technology — which ecently ended in Basle — he most confident exhiitors were the French. The Americans, in spite of an droit use of mirrors to make t appear that there was more o their national exhibit than here really was, were uncharaceristically muted, except when he U.S. Ambassador from Berne made an impassioned ppeal to other nations to "buy American" and help strengthen he dollar.

No home sale has yet been nnounced this year by any of he four U.S. reactor companies. ales for the years 1975-77 ere, respectively, four, three nd four units. But the facories still carry a heavy backog of orders from the boom ears of 1972-74 when, respecvely, 38, 41 and 26 units were rdered.

The U.S. companies dropped ınts, however, that the tide ould begin to turn just as on as the American mid-term lections next month are over. o-one in the industry wishes see the expansion of U.S. uclear capacity—although forally endorsed by President arter—emerge as an election sue. But the chances are that fresh contracts have already been signed by at least one U.S. company.

The first Nuclex exhibition in Basle was held only in 1966, but this triennial trade fair has long established itself as the world's most impressive display of nuclear technology. At the latest exhibition, only the Russians among the main nuclear exporting nations were absent. The word was that they have problems fulfilling their own large domestic demand for nuclear plant. West Germany and France, whose national displays once again dominated the exhibition, are believed to have spent well over £1m apiece in Basle.

Unified effort

Nuclex's national displays tend to reflect the degree of confidence — or uncertainty — of each nation about the future of nuclear power. The fewest doubts were to be found among the French, whose exhibit flanked the main aisle of the exhibition and skilfully illustrated how effectively they have brought research, manufacture and user together in a unified effort to secure independence from imported oil for French electricity.

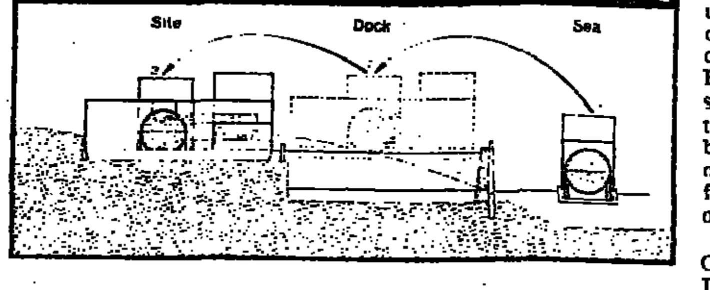
More clearly than any other nation the French seem to understand the crucial importance, in a technology as advanced as nuclear engineering—with its long lead times —of smooth continuity of orders for manufacturing industry. Their flagship is Superphenix (although the customer prefers to call it Creys-Malville, the name of the site). This is the 1,200 MW fast-breeder reactor, in the Rhone Valley. It is being built —and built fast—in clear defiance of the current nuclear policy of the U.S. administration, which has striven hard for 18 months to persuade other nations to abandon reactors requiring plutonium fuel.

But in 1981—two years before Creys-Malville is scheduled to reach full power—French industry, urged on by the Commissariate a l'Energie Atomique (CEA), expects to be bidding for another fast-breeder reactor of the same size. In fact, it will make two bids, says M. Georges Vendryes, the CEA director responsible for the project. One will be for a repeat of the reactor, probably on the same site which—according to M. Jean-Claude Leny, director-general of Framatome—is a good nuclear site which could accommodate "at least one more." The alternative bid will be for a series of such reactors, four to six altogether, spaced at two-year intervals to take fullest advantage of economies of scale in manufacture. Electricité de France may wish to wait longer before accepting either one of these bids. But if so, he says, it will be made well aware of the risks it is running from disruption in the continuity of work by its contractor, Novatome, and not least in the continuity of work on safety.

But as M. Vendryes sees it, the underlying reason why France wants to press ahead rapidly with the fast breeder is that this is the way to exploit to the full its uranium fuel, of which France has only small indigenous reserves. The 36 big light water reactors already ordered by Electricité de France will, over their lifetime, discard about 70,000 tonnes of "depleted" uranium—that is, uranium which has yielded up part of its energy. But this quantity of depleted uranium, packed into fast reactors and irradiated by neutrons, can be transmuted into enough plutonium to provide for two centuries of energy consumption in France.

Depleted uranium thus represents a tremendous mine of fuel—"our only one," as M. Vendryes sees it. Even so, he believes French engineers have been very cautious — "we've never tried to beat records"— in developing the fast breeder.

How Rolls-Royce Would Float In Ready-Made Reactors



He is scornful, however, of those who deliberately hobble the development of nuclear projects such as the fast breeder and then assert that, because they are progressing more slowly, nuclear energy is plainly in technical trouble. He also rejects charges that fast breeder development could contribute to the proliferation of nuclear weapons—"why should anyone want to go for so difficult and slow a way?"

The German tradition at Nuclex is to stress engineering achievement, and once again this year substantial hunks of highly sophisticated machinery were displayed. In comparison with the French, the Germans, in spite of a large programme, are feeling very frustrated—balked at every turn by local licensing authorities. The latest setback, on the eve of Nuclex, was the threat of North Rhine-Westphalia to withhold further licences for the 300 MW German-Benelux demonstration fast breeder at Kalkar, under construction since 1972, unless it is redesigned as an "incinerator" rather than a breeder of plutonium. Local politicians are trying to outlaw any breeding of plutonium.

Like the French, the Germans have plans for a big programme of light water reactors. But of 16 nuclear stations ordered, six have been frozen by licensing problems, in one case after the utility had invested DM 500m (about £125m). The other nine, however, will bring Germany's nuclear capacity to about 17,000 MW (compared with about 10,000 MW in the UK when all plants currently under construction reach full power).

More ambitious than any of these projects—indeed it is Germany's most ambitious industrial scheme — is the plan to build an Entsorgungszentrum, or integrated nuclear fuel services centre at Gorleben close to the East German border. This was demonstrated in Basle, by DWK, the joint electrical utility venture. It will receive, store and reprocess spent nuclear fuel, extract the plutonium for fabrication into fresh fuel, and solidify the highly radioactive waste for permanent burial in salt beneath the site. The total cost—most of which is expected to be met by the 12 nuclear utilities participating in DWK—is put at nearly £3bn by the mid-1990s.

The view of the Federal Government is that, even if Germany builds no more nuclear plants, it will still need Gorleben to service its existing reactors. Because the reprocessing plant is not expected to be on-stream before 1989-90, the utilities have already been obliged to place large reprocessing contracts with the French. But the utilities will surely demand firm assurances that the project will proceed before they commit the £500m or so they expect to invest before construction even begins on the Gorleben site.

Less controversial so far than Gorleben, but in the same Land as the fast breeder project, is the site chosen for Germany's first commercial enrichment plant. The German utilities are worried by the apparent ease with which other countries can interfere with fuel imports—last year the U.S. blocked deliveries, and unilaterally demanded renegotiation of their uranium enrichment contracts—and they have urged Urenco, the Anglo-German-Dutch group, to press ahead quickly with the proposed plant at Gronau. A licensing decision has been promised by June, 1979. Urenco hopes to have its first gas centrifuges on-stream there in 1983.

The political imponderables still besetting Britain's nuclear effort were clearly reflected by the UK exhibit in Basle. It was bigger and bolder than in previous years, and dominated by British Nuclear Fuels. But in contrast to the confident displays of the French (Framatome) and German (Kraftwerk Union and Brown Boveri) nuclear reactor design and construction groups, the Nuclear Power Company's effort was conspicuously modest. In fact, it was upstaged by the minuscule exhibit of Rolls-Royce, making its debut at Nuclex, which presented the only project engineering on the UK exhibit. (For its pains Rolls-Royce was ticked off by some UK nuclear leaders for "rocking the boat," by producing fresh plans).

Early this year the company announced it believed it had project design and management experience to build light water reactors in Britain. The experience comes from 20 years helping to build 16 pressurised water reactors and 30 reactor cores for the Navy. At Nuclex it took the claim a step further by announcing its ideas for prefabricated nuclear plants of 200-500 MW, assembled like submarine reactors at specially equipped shipyards, and floated to coastal sites. The accompanying sketch shows how it is proposed that these barge-mounted reactors would be cemented into an artificial creek.

Fuel bill

The scheme has some clear attractions for UK utilities. The Central Electricity Generating Board stressed in Basle its estimate that completion of each of the three advanced gas-cooled reactor (AGR) stations it has under construction will lop £90m from its annual fuel bill. Played down publicly were the almost insuperable labour relations problems which the Nuclear Power Company is experiencing in trying to manage these projects—the biggest, most complex, most easily disrupted industrial projects in Britain today. No one any longer can confidently give completion dates for the AGRs, one of which—Dungeness B—will certainly not be finished in less than 16 years from its start in 1965.

Above all the Rolls-Royce proposal affords an opportunity to take a high proportion of nuclear plant assembly off-site and into the more easily managed environment of a manufacturing plant. It also solves a problem for the smaller utilities—such as the South of Scotland Electricity Board—which claim that the 1,200 MW pressurised water reactor wanted by the CEGB is too big a unit for their system. And it could be a convenient way of reinforcing the peripheral regions of a large network—meeting the kind of problem of power shortage which the CEGB faces in south-west England.

Sweden and Austria have the sort of problems which the UK nuclear design and construction industry might well envy. They have completed nuclear plants needing only government approval to operate. In Sweden they are in addition to plant already installed, since the country already is among those with the highest proportion of nuclear power on its national grid. Belgium leads with 22.4 per cent, followed by Sweden with 21.7 per cent, and Scotland with 21 per cent.

Nuclex was stirred up by the news that the Swedish Government had fallen over the issue of whether to bring the existing new reactors on stream. The episode clearly showed how the nuclear industry is hemmed in by environmental and political considerations of every kind.

Letters to the Editor

Taking a wider view

rom the Economic Adviser urge and Co.

Sir,—An important point mitted from Samuel Brittan's nalysis (Economic Viewpoint ctober 11) is that British moneıry, wage and price policies can ever be circumscribed by omestic considerations. Thirty er cent of British manufacıres are exported and 30 per nt of UK consumption is ıported; "invisibles" constitute further movement of about 6bn in and out of the country nd there are complicated factors volving the movement of interıtional investment funds. All these items are vulnerable, ırther, to uncertain "leads" d "lags" overseas as well as UK market needs.

I am concerned with the most total lack of discussion bout the effects of UK price d wage inflation on the rest of e world. Surely this point is important as any other of the mestic considerations we hear much about? Yet, so far as I n establish, none of the major eakers at any of the three litical party conferences or the rade Union Congress have uched on this important issue. The UK is a leading member the Organisation for Economic o-operation and Development hich is charged with worldwide ncerns. Yet, UK export prices ave risen by two and half times nce mid-1973 (measured by epartment of Trade indices). his magnitude of rise is subantially more than in any other ajor trading nation, with one ossible exception.

My European colleagues are unned by the barrage of UK ress reports, at the present time, iggesting new wage claims in e 10 per cent-50 per cent band, hile OECD inflation rates are bout 8 per cent and unemployent levels are believed to exed 16m. They do not foresee ow any sensitively agreed wage ontract rises, which are linked ith the ability of UK companies nd the country to pay, will occur hile the unions prefer to stay utside the supervision of the w of the land as it applies to rdinary persons.

In this regard, constant falls n Sterling exchange rates—as he alternative to modest pay ettlements—and a reluctance to egotiate willing agreements with the European monetary system are also seen as a lack of ny British consensus to overcome world problems of unemployment and inflation.

The worst effects of continuing inflation overseas are to be seen not in Europe or America but in the developing countries of the world. Many of these are Commonwealth members where Britain has a special concern. Recent reports confirm that these countries are finding difficulty in paying for essential supplies of net and simple machinery imports like farm tractors. In 1978 year old loans to some of these countries are being written off by, for example, West German and UK Governments in order to sustain trade at today's lower levels. The effects of these overseas borrowings and higher import costs usually mean inflation rates are now of "banana republic" proportions. This economic atmosphere cannot be helpful in the search for peaceful political solutions to emerging problems in parts of Africa, South America and the Middle East just now.

In conclusion, this simple commentary suggests to me that market pricing systems, which are being used now in Socialist as well as capitalist economies (so the market is not really a stumbling block) cannot work properly when under constant attack by demands from all quarters for more money. It is unlikely that either the fiscal or monetary controls now proposed, will work without the support of the people expressed through "pay norms" and "sanctions" as alternatives to even stricter— and more tedious to operate— judicial legislation. If the unions need more flexibility, what other safeguards of comparable effectiveness can they offer? Without any firm programme, I respectfully suggest, there is no case for "three cheers" for anyone.

A. G. Horsnail.
Burge and Co.,
25, Worship Street, EC2.

Understanding reality

From Mr. D. Howell, MP

Sir,—Mr. Ballisat's hopes for the expansion of employee share ownership schemes (October 13) should certainly be encouraged. In this direction lies one of the answers, although admittedly only one, to Malcolm Rutherford's assertion, on the same page, that the two major parties now share a common mood of deep disillusionment about the future.

In fact I do not think that is the position at all. Nor do I accept the associated view that nothing has changed at all in four years, that nothing has been learnt by the British people, that the wheel has turned full circle, and all the rest.

On the contrary, although there are fearsome struggles ahead it needs only common observation to see that there has begun to be a heartening increase in the general understanding of economic realities, that "profits" is no longer anything like such a dirty word, that differentials for skill are in strong demand, and that the desire to own a bit as well as earn a bit, and keep more of it, is pressing up against all the Government-made obstacles to these ambitions harder than ever.

I see this not as a reason for pessimism but as confirmation that this country is readier and riper now than it has been for a long time past for an advance to saner economic and social policies. These certainly include measures to permit much wider personal ownership of all kinds (homes and businesses as well as other assets). Of course caution will be needed in building on this new mood. But I think it is a mistake to confuse this—at any rate on the Conservative side—with disillusion.

David Howell.
House of Commons, SW1.

Imports and exports

From Mr W. Whalley.

Sir,—The respective situations of Messrs. A. J. M. Price (October 2) and N. Bilitch (October 6) must command the sympathies of all those not directly concerned. They epitomise the situation of the British people as a whole.

Our manufactures find increasing difficulty in competing both in home and export markets with goods produced by Far Eastern countries. The labour costs of the latter are determined against a background of Asian peasants. In Britain such goods are naturally bought for their cheapness. But, failing exports, how can imports be paid for?

It is unrealistic to expect any political, union or industrial leaders, sensitive to public opinion, to dare deal with such questions; it would be more than their place was worth. Mr. Wedgwood Benn has referred to the de-industrialisation of this country. Can this process be reversed or arrested? If so how? Is it the case that labour-intensive industries are doomed in countries with a high standard of living? Surely we are entitled to expect that academics, independent of public reactions, should explore the implications of this situation.

Take the case of the British cutler, for instance. Doubtless his products contain an element of imports. For certain the cutler, like the rest of us, is a personal consumer of imported food, cars and motor-cycles, TV sets, shoes, etc. But if these imports cannot be paid for by exports, how long can this situation continue? It seems obvious that British cutlery cannot be exported in large quantities if it is unable to compete on the home market.

We are told that tourism is now a major earner of foreign exchange, but do not tourists themselves consume imports, in the food they eat, the souvenirs they take home? Any questioning of individual cases is not only complex but liable to arouse passionate indignation. Clearly academics, not dependent on public approval for their living, are the only persons in a position to examine these delicate but vital matters.

W. C. R. Whalley.
105, High Street, Hungerford, Berks.

Sparkling water

From Mr. D. Tonge

Sir,—Regarding your item on sparkling spring water last Saturday may we inform you that the only natural sparkling spring water in the British Isles is called Catley Abbey Natural Seltzer, bottled deep in the Lincolnshire fens on the site of an ancient Gilbertine abbey.

This water is unique in that it is the only seltzer water in the UK and its mineral content is such, because it comes through a lithium type based bed rock, that it is of an antidepressant nature. Maybe we ought to be selling it to companies or Boardrooms for their meetings when figures are not too good.

David Tonge.
Innovatine Prime Movers,
Chapel Farm,
Martin Dales,
Woodhall Spa, Lincoln.

Non-existent figures

From Mr. D. Damant.

Sir,—The excellent comment by Lex (October 16) on the remarks by Professor Modigliani at the Brussels conference of the European analysts might have emphasised a little more some of the assumptions in Professor Modigliani's argument. For example: "The moment the 20 per cent inflation rate begins, sales will grow at the same rate, and assuming a constant mark up, the profits . . . will also begin to grow at the same rate."

The fact is that with competition and, more particularly, government policies on prices, enterprises are unable to protect themselves in this way with the result that, as was shown by some of the work submitted to the conference, balance sheets are undermined and eventually destroyed. This is especially the case when more and more risk is transferred to capital from other parties, for example from employees by employment protection regulations. This line of argument leads very quickly to the commonplace that in an inflationary environment a company gains from an increasing level of debt right up to the moment of bankruptcy.

With inflation, shareholders frequently gain in wealth while the company loses liquidity. There is no longer a single figure, such as historic cost earnings, which shows both the shareholders' gain in wealth and the amount which may be safely distributed to dividends or to other purposes. The monetary adjustment is relevant to the first of these and not to the second. It is because no such figure exists that there has been so much disagreement over the monetary adjustment in inflation adjusted accounts.

This conclusion is supported by other accounting problems under discussion such as that of deferred tax. The market itself is probably wiser than Professor Modigliani believes but even so it is highly undesirable to attempt to cobble together an earnings figure, or a price/earnings ratio, where one does not exist.

D. C. Damant.
Clive Investments,
1, Royal Exchange Evenue, EC3.

Scope for economies

From Mr. F. Pike.

—Sir, — The letter from Mr. G. James (October 13) does not go far enough. The authority of the Government to borrow in excess of £4bn each year should be the subject of strict control by Act of Parliament. Any Government which exceeds this threshold deserves to lose the subsequent election. The Chancellor is very quick to call for higher productivity from the industrial sector, but we *also* have the right to expect a very much higher productivity in the public sector, that is, better management at lower cost.

Until we get a better return on our tax revenues, it is difficult to see a case for higher industrial productivity as such. It would only be spent on a massive inflation of the bureaucracy.

F. K. C. Pike.
50, The Shires, Luton, Beds.

Tinkering with local rates

From Mr. M. Alison, MP

Sir,—Your leading article of October 13, "Tinkering with local rates" featured a fair factual analysis but drew, I felt, unsatisfactory conclusions.

Thus you accepted that a system of tax allowances, of the sort I outlined to the Rating and Valuation Conference, "would be less regressive than the present domestic ratepayers' subsidy." But one of the main reasons you set out for rejecting such a tax allowance—that it would in principle shift the funding of local services even further into the hands of central government—applies surely with equal force to the option you cited as a possible alternative, i.e. the increasing of the rate support grant. And at least a tax allowance for rates would leave intact the actual cash nexus between a rating authority and a ratepayer and thus sustain accountability.

The main conclusion you reached, however—that existing subsidies and reliefs to householders more than offset their real rate burdens, so that few tears need be shed on their behalf—was I thought too sanguine and sweeping. Mortgage interest relief accounts for only half the net sum of £2,000m which domestic ratepayers contribute to the system, and this relief will in any case be quite haphazard in its bearing on the ability to pay of a particular ratepayer. The other subsidy you refer to (presumably domestic element relief) is grossly regressive, giving the greatest assistance to the most highly valued properties.

Domestic rates as at present administered represent a local property tax paid by some 9m householders with a yield not far short of the yield of corporation tax. Imagine, Sir, the outcry from businesses if corporation tax was levied with as little reference to ability to pay and as little uniformity in the valuation of assets as commonly and automatically afflicts household ratepayers. At least a tax allowance would have some effect in redressing the grosser inequities of the system.

Michael Alison.
House of Commons, SW1.

Definition of a small company

From Mr. A. Owensmith

Sir,—Mr. Mitchell (October 10) attempts to define a "small company" and comes to the not unreasonable conclusion that this is one with circa £100,000 of turnover. On another page of the same edition "City reacts to the wind of change" we are told that the aim of one of the major joint-stock banks concerning the support of small businesses "is to invest in companies which are earning £50,000 a year pre-tax profits." I believe that these facts suggest that the wind is blowing in the wrong direction!

A. S. L. Owensmith.
87, Burgh Heath Road, Epsom, Surrey.

Investing for retirement

From Mr. S. Greenslade

Sir,—Adrienne Gleeson's article on investing for retirement (October 7) was a useful survey but her omission of life assurance bonds when discussing tax mitigation was a major gap.

Single premium bonds and the associated 5 per cent tax free withdrawal facility can be a simple and effective method of reducing an investment surcharge liability and while there are undoubtedly pitfalls (notably the "sting in the tail" on encashment) these can often be avoided. Any competent life assurance broker who understands bonds should be able to guide his clients round the worst of them unless tax levels are particularly high on earned income. Despite this bonds are still not being used as widely as they should. Estate duty used to be called the voluntary tax. For many people the investment surcharge is now a voluntary tax, but their advisers are not telling them what to do about it.

Regardless of tax, property bonds merit greater attention as investments in their own right but again Adrienne Gleeson does not mention them. Their stable growth characteristics make them ideal for teaming with carefully selected unit trusts to provide a rising income and protection against inflation. Certainly they can fall as 1974 proved but equities had an even rougher ride that year and Gilts were little better. The truth is that the property bond concept is now coming of age and with companies such as Norwich Union, Sun Alliance, Phoenix (Property Growth), and the Prudential (Vanbrugh) in the market one can hardly complain about a lack of quality names.

Any professional adviser who now fails to consider property bonds for his clients on both tax and investment grounds is overlooking one of the most rapidly growing and important sectors of the market.

S. Greenslade,
Greenslade Hay and Co.
67-69, Chancery Lane, WC2.

Today's Events

GENERAL

The Prime Minister, Chancellor of the Exchequer, Secretary of State for Trade and Minister of Agriculture start two-day visit to Bonn at invitation of Chancellor Helmut Schmidt—discussions will include the European Monetary System and reduction of EEC surplus farm products.

NATO Defence Ministers' nuclear planning group starts two-day meeting in Brussels.

CBI monthly council meeting—to debate support for Government pay policy, and inflation.

Mr. Olla Ullsten, Sweden's new Prime Minister, presents his cabinet to the Riksdag.

Prince Charles attends industrial strategy sector working party on industrial trucks at the National Economic Development Office, Millbank Tower, SW1.

Mr. C. Fred Bergsten, U.S. Assistant Treasury Secretary, speaks on the "International Economic Outlook—the U.S. View" at Chatham House.

Vauxhall pay talks resume at Rugeley, Staffs.

OFFICIAL STATISTICS

Department of Employment publishes basic rates of wages and normal weekly hours for September, and monthly index of average earnings for August.

COMPANY RESULTS

Final dividends: Dawnay Day Group. Kalamazoo. Medminster. Sun Life Assurance Society. **Interim dividends:** British Home Stores. Brown and Jackson. City of Oxford Investment Trust. Duport. Farm Feed Holdings. Harrison and Sons. Jessel, Toynbee and Co. Marshall's Universal. Securities Trust of Scotland. Smith St. Aubyn and Co. (Holdings). Time Products. UBM Group. Websters Publications.

COMPANY MEETINGS

Christie-Tyler, Angel Hotel, Cardiff, 12. Robert M. Douglas, 395, George Road, Birmingham, 12. Waring and Gillow, Hallam Tower Hotel, Sheffield, 12. Whitworth Electrical, Great Western Hotel, Paddington, W, 3.30.

COMPANY NEWS

UK business lifts M & S 40% to £72.9m midterm

THOUGH losses in Europe and Canada again totalled over £3m for Marks and Spencer in the half-year to September 30, 1978, UK performance showed further growth. Group pre-tax profits advanced 40.2 per cent from £52.02m to £72.94m on sales, excluding sales tax, 18.8 per cent better at £688.19m, against £579.11m.

Export turnover was down 20.3 per cent from £16.56m to £13.2m, and the total value of exports from the UK, including shipments to overseas subsidiaries was reduced £3.87m to £21.15m.

Clothing and other merchandise sales in UK stores were up 21.5 per cent at £433.1m (£356.49m) *and foods 22.2 per cent higher* at £205.19m (£167.89m). Good increases in sales were seen, in particular, at the stores which have been extended such as Chester, Oxford, Norwich and Bury St. Edmunds.

Margins have been maintained and costs are under control and the directors anticipate further good progress during the second six months, says Sir Marcus Sieff, the chairman.

Tax for the half-year took £34.31m (£24.48m) leaving a net surplus of £38.63m (£27.53m) for earnings per 25p share of 3.06p (2.2p adjusted). The net interim dividend is effectively raised to 1.15p (0.85p) and costs £14.95m (£11.03m).

The directors expect to substantially increase the dividend for the current year. Last time a final of 1.77215p was paid from record profit of £121.6m (£107.82m).

The results in Europe, where the deficit was £482,000 (£479,000), were encouraging and firm steps have been taken to stem the losses at the company's Lyons store by reducing footage says the chairman.

Good results are forecast from the forthcoming extension to the group's major Paris store in Boulevard Haussman. The cost *of reducing the Lyons operations* and of the development in Paris amounted to £976,000, which has been charged against the six months figures.

In Canada, where the deficit was held at £2.84m (£2.78m), sales appear 12.9 per cent lower at £26.16m (£30.82m). In fact, they were 7 per cent higher before exchange rate adjustments.

Sir Marcus says that trading here showed a considerable improvement but, while new stores are being opened in suitable shoping malls, there were a number of closures in unsuitable locations. These closures together with provision for the expected cost of some further closures which will take place in future, amounted to costs of £1.12m being charged in the half-year.

Progress remained good at the group's other trading divisions in Canada—Peoples and D'Alliards. It is now proposed to amalgamate, as from February 1, 1979, the Canadian trading and non-trading subsidiaries into one public corporate entity called Marks and Spencer (Canada) Inc. This new company would have Marks and Spencer, Peoples and D'Alliards as its three operating divisions and its year-end would be changed from July 31 to January 31.

	Half-year 1978 £000	1977 £000
Sales (ex. sales taxes)	688.195	579.114
UK clothing etc.	433.100	356.494
UK foods	205.101	167.893
Exports	13.200	16.556
Europe	10.339	5.149
Canada	26.159	30.022
Pre-tax profit	72.944	52.015
UK†	76.261	55.277
Europe loss	482	479
Canada loss	2.835	2.783
UK tax	34.300	24.780
Overseas tax	10	217
Net profit	38.634	27.532
Minority loss	1.176	1.063
Attributable	39.810	28.597

†Before profit sharing.

See Lex

Freddie Mansfield

Sir Marcus Sieff, chairman of Marks and Spencer, pictured in the Marble Arch, London, store . . . further good progress expected in the second half of the year.

Central & Sheerwood maintains impetus and heads towards £5.5m

REPORTING advances in both turnover and profits for the first half of 1978, the directors of Central and Sheerwood forecast full year pre-tax profits of at least £5.47m, compared with a record £4.71m last time. And they remain confident that growth will be sustained.

First half earnings per 5p share are shown to have risen from an adjusted 1.39p to 1.97p and the interim dividend is effectively increased by 20 per cent from 0.5625p to 0.675p net. Last year's total payment was equivalent to 1.176355p.

Turnover for the first six months moved ahead from £31.28m to £36.91m and the taxable surplus finished £0.75m higher at £2.74m. Profit was struck after finance and administration costs of £282,000 (£209,000) and is subject to tax of £1.43m (£1.06m).

After minority profits of £51,000 (£55,000) and extraordinary debits nil (£11,000), the attributable balance emerged at £1.26m (£0.88m).

The company's interests lie in engineering, printing, publishing and financial services.

● comment

With a 36 per cent interim pre-tax profit increase behind it, Central and Sheerwood is well on the way towards achieving yet another record full year result. All divisions performed well but the big jolt to the figures came from first time profit contributions from a number of projects, including the first of the latest series of giant walking draglines used in open cast coal mining. A second will help boost the second half results. The Ford strike, if it continues for much longer will start to hit the Dunn Group *offshoot but the* potential dent in profits has been minimised by Dunn's diversification within its market. It not only supplies other UK motor manufacturers but also supplies Ford in Germany. With the first half momentum, a full year figure around £5.5m appears probable. The shares moved up 1p to 36½p on the news giving a prospective p/e of 6.5 and a prospective yield (assuming annual dividend is increased by 20 per cent) of 5.9 per cent.

Zenith six month fall

WITH TURNOVER lower at £5.84m against £6.48m, profits before tax of Zenith Carburetter Company dropped from £880,000 to £346,000 for the first half of 1978. Last year, a record £1.52m *was achieved.*

In the last annual report, the directors said that while there were signs of some increase in the low output levels of the first quarter, it did not appear possible that this would reach the level of the start of 1977 and it was unlikely that the company would be able to repeat that year's results in 1978.

Half-yearly profits were struck after depreciation of £239,000 (£220,000) and lower investment income and deposit interest amounting to £183,000 (£251,000).

Tax takes £168,000 (£445,000) leaving net profits down from £435,000 to £178,000. Earnings per 50p share fell from 7.4p to 3p, before an extraordinary credit of £137,000 relating to the sale of quoted investments.

The company does not pay interim dividends. Last year, a single net payment of 4.39775p was made.

Spirax-Sarco up £0.4m halfway and sees peak for year

PRE-TAX profits of Spirax-Sarco Engineering, international energy control group, increased from £2.23m to £2.67m for the first half of 1978 on external turnover ahead to £17.23m against £14.39m. Profit for 1977 was a record £5.1m.

Commenting on the six months figures, Mr. A. C. Brown, the chairman, says that although world trading conditions have not been buoyant, the group's business has again grown in real terms. Some of this growth, he says, is owed to the part played by the group's products in the continuing need for energy conservation and some is due to the directors' policy of maintaining expansion into new geographical areas.

He remains confident that Spirax will continue to make progress during the second half of 1978 and he sees a satisfactory advance for the full year.

The interim dividend is stepped up from an equivalent 1.84085p to 2.1p net per 25p share and an additional payment of 0.0393p is also announced for 1977 on the reduction in ACT—last year's final was an adjusted 2.595p.

	Six months 1978 £000	1977 £000
External turnover	[illegible]	14.393
Trading profit	[illegible]	2.488
Interest payable	215	258
Profit before tax	2.673	2.230
Tax	[illegible]	1.066
Net profit	[illegible]	1.164
Minorities	[illegible]	57
Attributable	[illegible]	1.107
Dividend	[illegible]	[illegible]

The group is still absorbing the costs of its newer overseas operations, notably in Europe and the Far East, and these will continue for some time. The chairman says there will be an increase in costs in some areas, as new operations are opened.

Since June 30 Spirax has completed and occupied 30,000 sq ft of new production and warehouse space in Cheltenham, to help serve the growing markets, and the group's Brazilian subsidiary has moved from its old outgrown factory to new larger premises.

● comment

Spirax-Sarco continues to prosper with pre-tax profits and sales both one fifth better. Growth is now admittedly slower than in the heady post-oil crisis days of 1975/76: but the result should be seen against generally difficult trading conditions in the engineering sector. Following last year's trend, most of the profits *increase has come from the UK,* which accounts for roughly half group turnover. The company attributes the steadier performance overseas to the less energy-conscious Governments in areas where it operates. There is obviously scope here if attitudes change, while returns from the relatively new ventures in Singapore, Korea, Holland, Sweden and Austria should come through before long. At home, a wide spread of customers cushion Spirax against downturns in any one sector: bad times even encourage demand for the group's energy and cost saving products. For some time the shares have enjoyed a premium rating but at 166p the prospective fully taxed p/e of 11.3 (based on profits for *the year of £6m) is beginning to* look high. They are well supported, however, by a yield of 8.9 per cent.

INDEX TO COMPANY HIGHLIGHTS

Tea price hits Brooke Bond

REFLECTING a reduction in the UK, profits before tax of Brooke Bond Liebig were down from £49.33m to £44.72m in the year ended June 30, 1978. Sales amounted to £756.2m compared with £769.15m.

Although there were variations in different areas, overseas profits remained steady overall, the directors say. The UK reduction was mainly due to the difficulties in the tea trade as commodity prices fell from the high levels of 1977.

However, high standards of husbandry on the group's tea estates helped to produce near-record yields in all areas and *minimised the effects of the sharp* fall in the tea price, the Board states.

	Year 1977-78 £000	1976-77 £000
External sales	756.202	769.154
Trading profit	48.994	57.181
Interest	7.342	7.831
*Sales, land profit	3.066	†21
Profit before tax	44.718	49.329
Tax	20.924	19.496
Net profit	23.794	29.833
Minorities	2.338	1.898
‡Extraordinary debits	5.833	§4.318
Attributable	15.623	32.253
Dividends	7.935	6.718
Retained	7.688	25.535

* From disposal of South American ranch properties. † Loss. ‡ Comprises closure costs in Paraguay £4.1m (£1.37m); loss on the reduction of group interests in Indian companies £1.8m (nil) and profit on disposal of subsidiary and associated companies £70,000 (£5.69m). § Credits.

First-half profits showed a rise from £16.28m to £22.65m but the directors warned then that trading profits for the year were expected to be lower.

The year's profit is after interest of £7.34m (£7.83m) and a £3.07m profit on sales of land and buildings against losses of £21,000 last time. The trading profit for the year of £48.20m (£57.18m) would have been £3.1m higher if the overseas companies' profits had been converted at 1977 exchange rates.

Earnings per 25p share are shown at 8.34p against 12.77p. A final dividend of 2.354383p makes a total of 3.08826p against 2.76382p.

The Board states that sales outside the group were affected by the fall in the price of tea.

In addition, the sales of Brooke Bond India have been excluded from the group figures from the end of April 1978 when the status of the company in the group accounts was changed from a subsidiary to a 45.9 per cent-owned associated company.

The prices set by the Indian authorities for the issue of shares to the Indian public as part of the reduction in the group's interests under the Foreign Exchange Regulation Act did not reflect the book values of the underlying assets. Provision has been made for the expected losses.

The amount of depreciation allowed for tax purposes exceeded that charged in the accounts for the year. The consequential amount of tax deferred was £1.7m (£2.9m).

Reliefs and allowances carried forward for offer against future trading profits were £4m (£24m in UK and £10.1m—£10.7m) in certain overseas companies. The reduction in the UK figure arose mainly from the reversal of stock appreciation relief claimed in earlier years.

At June 30, this year the net amount of stock appreciation relief claimed was £22.8m, and ACT of £12.6m, for which relief had not been taken, was available to set against future UK tax liabilities.

See Lex

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: British Home Stores, Brown and Jackson, City of Oxford Investment Trust, Duport, Farm Feed, Harrison and Sons, Jessel Toynbee, Marshall's Universal, Securities Trust of Scotland, Smith St. Aubyn, Time Products, URM, United Carriers, Websters Publications, Wilmot Breeden.

Finals: C. H. Bailey, Dawnay Day, Kalamazoo, Medminster, Sun Life Assurance

FUTURE DATES

Interims:

Aquascutum	Nov. 3
Associated Leisure	Oct. 24
Fidelity Radio	Oct. 23
Francis Industries	Oct. 27
Imperial Cold Storage and Supply	Oct. 23
Land Securities Investment Trust	Nov. 14
Mallinson-Denny	Nov. 2
Municipal Properties	Oct. 19
New London Properties	Oct. 19
Photax (London)	Oct. 27
Press (William)	Oct. 28
Shiloh Spinners	Nov. 1
Uniflex	Oct. 25
Finals:	
Elcco	*Oct. 27
Pochin's	Oct. 26
Prossac	Oct. 23
Pretoria Portland Cement	Oct. 24
Simpson (S.)	Oct. 26
Transvaal Cons. Lnd. Exploration	Oct. 20
Walker and Homer	Oct. 26

*Amended

Utd. Carriers makes first half headway

REPRESENTING an appreciable increase in traffic carried by United Carriers, pre-tax profit for the 26 weeks to July 29, 1978, *shows a £0.32m advance at £1.52m.*

Mr. Graham Millard, chairman, says the increase in consumer spending, forecast at the time of his last annual statement, is materialising, reflecting a true volume growth. He adds that he is confident full-year profits will be satisfactory. *For the last full* year profits totalled £2.25m.

The net interim dividend is stepped up from 0.68836p to 0.98297, which includes 0.02463p in respect of the reduction in ACT. The cost is £121,000 (£84,000). It is the Board's intention to increase the final payment by the maximum permitted. Last year's final was 1.6258p.

Turnover for the first half rose from £8.16m to £10.55m. Tax took £495,000 compared with £402,000 and earnings per 10p share are shown to have risen from 6.5p to 8.4p.

A revaluation of the company's freehold and long leasehold properties has revealed a surplus over and above the book value of some £700,000 and this will be brought into the accounts during the current year.

Crellon loss more than forecast

A WORSE than forecast trading loss of £705,000 is reported by Crellon Holdings for the year to April 30, 1978, compared with a £562,000 profit last time. The pre-tax deficit came out at £913,000, against a £321,000 surplus, *and sales excluding PDM* (Plumbers' Merchants) were £3.3m lower at £13.42m. Mid-way profit had slumped from £184,000 to £5,000.

The company is expected to operate profitably during the second six months of the current year, Mr. G. W. Rose, the chairman, states.

In December last year the retiring Board of directors had warned of a severe setback due to a series of failures of the electrical division's new computer installation. This May the new Board said that losses arising from the lack of debtor control and low sales in the second half would not be finally quantified until year end stocktaking was completed but they estimated the possible loss at £665,000.

In the last three years the basis of the profitability of the electrical division had been as a result of stock profits rather than in real terms. This method of accounting had given rise to profit and, therefore, tax and dividends although in cash flow terms there was a negative result, Mr. Rose points out.

This year the new Board has taken a different view of stock and to some extent this has been highlighted by the negotiations on stock values arising out of the sale, as going concerns, of some of the branches. As a result it has been necessary to make provision for previous years stock adjustments, and losses on sale of branches which were not envisaged in the eleven-month management accounts.

These accounts were the principal plank upon which the May estimate for the year's losses was constructed. The current first quarter in the electrical division saw the reduction of branches from 19 to 12 and the directors hope that by the year end this division will be showing small profits.

The electronics division which incorporates Micro Processing is making profits with every sign of being able to expand successfully now that some of last year's constraints have been removed from it, the chairman adds.

The loss per 10p share for the year was 11.3p (5.6p earnings) and no dividend is to be paid compared with 1.505p for 1976-77.

A tax credit of £333,000 (charge £33,000) left the net deficit at £580,000 (profit £288,000).

At year end net liquid funds were down £1.07m (£383,000) with bank overdrafts up from £657,000 to £1.73m, and the balance sheet showed net current liabilities of £172,000 (assets £1.56m).

Extraordinary debits amounted to £807,000 (£254,000) comprising this time of rationalisation provisions of £446,000, losses on disposals of investments in associates of £83,000, goodwill written off at £272,000 and £6,000 losses *on disposal of subsidiaries.*

At October 2, 1978, Globe Investment Trust held 10.42 per cent, Sonepar SA 18.25 per cent and Scottish Northern Investment Trust 7.76 per cent.

Meeting, Winchester House, EC, on November 10 at noon.

Second half boost lifts Boulton to £1.37m

A SECOND half boost from £422,907 to £794,119 has taken taxable profits of William Boulton Group up by nearly a half to a peak £1,369,899 for the year ended June 30, 1978, against £918,163 previously. Turnover rose from £18,050,046 to £20,219,458.

A final 0.779p net per 10p share dividend effectively raises the total from an adjusted 1.092p to 1.219p, the maximum allowed.

Net profit came out at £877,804 compared with £887,896 after tax of £492,095, against a low £30,267. After an extraordinary credit of £15,866 (£40,496) and minorities, the attributable balance was £881,370 (£908,067).

	1977-78 £	†1976-77 £
Turnover	20.219.458	18.050.046
Trading profit	1.806.351	1.386.545
Depreciation	229.336	189.464
Trading profit	1.577.015	1.197.081
Interest charges	207.116	268.918
Profit before tax	1.369.899	918.163
Tax	492.095	30.267
Net profit	877.804	887.896
Extraord. credit	15.866	40.496
Minority interest	12.300	20.235
Attributable	881.370	908.067
Dividends	393.824	347.657

†Figures restated after adjustment to profits.

Boulton manufactures machinery for the ceramic, chemical, food, pharmaceutical and process industries; is a non-ferrous founder, general engineer and high duty ironfounding group.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Wm. Boulton	0.78	Dec. 7	0.69*	1.22	1.09*
Brooke Bond	2.25	Jan. 2	2.01	3.09	2.76
Central & Sheerwood int.	0.68	Dec. 8	0.56*	—	1.18*
Crellon	Nil	—	0.91	nil	1.51
Erith & Co. int.	2.02¶	Nov. 25	1.81	—	5.45
Furness Withy int.	3.85	Jan. 5	3.5	—	8.24‡
Herrburger Brooks	1.12	Nov. 28	1	1.12	1
Kode Int'l int.	1.84	Jan. 4	1.65	—	4.7
Lowland Drapery **int.	1.4	Dec. 11	1.3	—	5.27
Manchester Liners int.	1	—	1	—	5.1
Marks & Spencer int.	1.15	Jan. 12	0.85*	—	2.12*
Mentmore Mnfg. int.	0.16	—	0.16	—	0.92
M. F. North int.	0.14	Jan. 3	0.12*	—	0.45*
Northern Industrial	3	Jan. 16	2.7	4.65	4.2
Provident Life int.	4.1	Jan. 1	3.7	—	8.17
Raine Eng.	0.59	Dec. 1	0.59	0.87	0.87
Scottish Northern int.	1.2	Nov. 6	1.2	—	3.66
Siemsen Hunter int.	1.53	Dec. 21	1.37	—	2.79
Spirax-Sarco int.	2.1	Dec. 8	1.85*	—	4.48§*
Utd. Carriers int.	0.98‖	Jan. 5	0.69	—	2.31
Wettern Bros. int.	2.07	Jan. 4	nil	—	2.07

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Includes additional 0.071p now payable. § Includes additional 0.0393p for 1977 now payable. ¶ Additional 0.0551p for 1977 now payable. ‖ Includes additional 0.02463p in respect of reduction in ACT. ** Gross throughout.

Erith profits running at peak level

BETTER SALES at Erith and Co., builders' merchant, in April, May and June, brought profits for the first half of 1978 back to slightly above the record level seen in the first six months of 1976. Taxable profit advanced from £353,000 to £509,000 and the current confidence in the industry indicates that the present trend will continue at least to the end of the year with profits ahead of the £782,000 in 1977, says Mr. G. Fisher, the chairman.

The upturn in the half-year was mainly in sales from the company's depot stocks. This points to the increase being chiefly in the home improvement and maintenance sectors for which the group redevelopment programme has equipped it to take advantage, he says.

The directors expect early contribution to profit from the new depot opened at Letchworth on September 1.

The net interim dividend per 25p share is raised to 2.0158p (1.807p) and costs £93,692. In addition a payment of 0.0551p is to be made following the reduction in ACT. The final for 1977 was 3.64099p.

	Half-year 1978 £000	1977 £000
Sales	11,981	10,425
Trading profit	530	395
Bank interest	25	47
Interest received	4	5
Profit before tax	509	353
Tax	265	193
Net profit	244	170

Siemssen, Hunter ahead

ON THE back of sales up more than double from £6.56m to £13.19m, Siemssen Hunter expanded trading profit 33 per cent for the first six months of 1978. However, because the 49 per cent-owned Siemssen Threshie and Co. was sold in June, there was no contribution from the associate, compared with £59,000 last time, leaving pre-tax profit only £46,000 higher at £422,000.

Mr. Roy Siemssen, the chairman, points out that the seasonal nature of the company's trading interests is such that the greater part of the total profit is earned in the second half. The group imports and distributes cigars and other tobacco products, and has interests in specialist publishing and microfilm.

Sales in all divisions are running ahead of the levels achieved last year, when the surplus reached a record £814,000 on sales of £14.85m, and the directors look forward to a satisfactory final result.

The net interim dividend is stepped up to 1.5256p (1.3662p) per 10p share and costs £86,819. The directors anticipate that the final payment will also be raised by the maximum permitted.

Net profit for the half-year was £202,000 (£178,000) after tax of £220,000 (£198,000).

The £83,000 surplus arising from the sale of the holding in Siemssen Threshie, tobacco leaf merchant and broker, to Standard Commercial Tobacco Co, Inc, of New York, for £256,000, is shown as an extraordinary gain, leaving the attributable sum better at £285,000 (£178,000).

MEDENS TRUST

Addressing holders at the AGM of Medens Trust, the Brighton-based instalment finance group, Mr. J. A. K. Collins, chairman, said the company was currently expanding its group balances to offset increasing overheads, and results for the current year should be as least as good as last year's substantially improved level.

Furness Withy drops to £5.7m in first six months

PRE-TAX profits of Furness Withy and Co. slipped sharply in the half-year to June 30, 1978, to £5.7m, compared with £13.2m in the same period last year in spite of a fairly stable trading performance in the shipping division.

Sir James Steel, the chairman, said there was unlikely to be any change in this pattern in the second half. Last year, the group returned pre-tax profits of £20.7m.

Sir James Steel, chairman of Furness Withy . . . no change in pattern likely.

Three factors caused the reduction in profitability: poorer performance from associated companies, notably Overseas Containers and Kingsnorth Drilling; reduced profit from ship sales as only one vessel was sold in the period and reduced investment income and higher interest charges reflecting the cost of financing the £100m fleet expansion programme which is still under way.

Forty per cent of the group's profits in the period came from non-shipping interests and Mr. Brian Shaw, the company's managing director, said the business was now in a position to carry loss-making shipping areas, such as bulk carriers, in the interests of flexibility and profitability when the recession ended.

When that time came, the company was in a position to step up investment and it was not beyond the bounds of reasonable speculation to envisage annual profits double those of last year.

Furness is also considering further investment in its offshore interests now that the Uncle John semi-submersible, currently on charter to Shell, has turned Houlder Offshore's £109,000 loss last year to a £1m profit in the first-half of this year.

Houlder Offshore, which Furness owns jointly with Ellerman Lines, is seeking a five-year contract with Shell for this vessel and and could be in a position to build a mark two version on a speculative basis if this is secured.

Mr. Shaw said he was more optimistic than a year ago about the shipping scene, especially about the will of governments to prevent their shipyards turning out too many unwanted merchant ships during the recession.

On the non-shipping side, the company said it was urgently seeking to expand its interest in hotels through the Saxon Inns chain.

The interim report shows a sharp drop in associates' contributions, from £5.68m to £1.65m, depressed profits from sale of ships at £150,000 (£2.39m) reduced investment income of £1.07m (£2.28m) and higher interest charges, £3.8m (£3.27m), reflecting investment in new ships.

Turnover fell £1m to £95.3m but trading profits increased slightly from £6.21m to £6.68m.

A breakdown of trading profit (in £000) shows: Shipping—general shipping £3,067 (£3,023), Houlder bulk shipping £392 loss (£113 profit), Manchester Liners £1,750 (£1,708), Furness Withy (Chartering) £229 loss (£185 profit), Brantford International £34 (£60), Houlder Offshore £1,037 (£333 loss); Non-shipping—Furness Houlder (Insurance) £464 (£465), Furness Withy (Engineering) £225 (£67), Saxon Inns £183 (£154), Furness Trinidad £514 (£402), other activities £27 (£367).

Following the conversion of substantial foreign currency loans into sterling, the group's share of unrealised exchange losses of associates brought forward from 1977, amounting to £2m, is to be written off in the current year accounts.

Depreciation charge took £5.7m (£4.58m). After tax of £2.32m (£4.35m) and minorities, attributable profits emerged down from £8.47m to £3.06m. The interim dividend is lifted to 3.85p (3.5p) net per £1 share, with an additional 0.071p for 1977 on ACT reduction—last year's second interim was 4.671p.

Although trading profits were higher at £3.19m against £2.66m, the taxable figure of Manchester Liners, its 62 per cent-owned subsidiary, fell from £1.31m to £0.83m for the first half of 1978.

The result was struck after depreciation of £1.44m (£955,000) and interest payable of £932,000 (£447,000), but included £10,000 (£15,000) investment income.

The interim dividend is kept as 1p net per 20p share—last year's final was 4.103p from £1.8m taxable profits.

While the volume of container carryings on the North Atlantic has kept up well, freight rates are still depressed with the added disadvantage of being earned in dollars, which have devalued against the pound, the directors state.

In the Mediterranean the company had a very bad patch due to a surge in competition affecting both volume and rates, but there are signs that the situation is becoming more stable.

Warehousing and road haulage companies have been improving their performance and the ship repairing subsidiary is doing better than last year.

See Lex

Abwood Board under fire from a major shareholder

THE DIRECTORS of Adwood Machine Tools came in for detailed questioning and criticism from Mr. Victor Balding, a major shareholder, at yesterday's annual meeting.

This followed a similar wrangle a year ago when Mr. Balding complained at the last AGM of the company's performance and the repeated refusal of the Board to agree to a reverse take-over of his own engineering company.

After Mr. Alan Peck, managing director, made his opening remarks to yesterday's meeting on the current encouraging trading conditions both at home and in its drive into the U.S. market, Mr. Balding started questioning the directors.

His main line of questioning concerned the treatment of Government grants in the accounts and the ability of the company to finance the hefty capital expenditure programme amounting to £190,000.

He said that in the accounts Abwood's plant and machinery were shown with a value of only £44,000.

Mr. Pack replied that it was difficult to quantify the full effect of the grants, but said that some £10,000 had been received in respect of half the costs of a consultancy assignment aimed at improving the company's performance.

He added that the grant was included in the pre-tax profit of close to £48,000. But if it had not been for the grant the company would not have gone ahead with the consultancy, so profits would have been higher.

Mr. Peck said a Government grant would cover 25 per cent of the capital expenditure and he had assurances from the company's bankers and a finance house that they would support the company. Moreover he had confidence that the company would recoup the cost of this expenditure.

After the meeting, which lasted close to an hour, had passed acceptance of the accounts with a vote (on a show of hands) of 13 to one, Mr. Balding issued a prepared statement which prompted a hurriedly written reply from the Abwood directors.

In his statement, Mr. Balding claimed to hold 213,000 shares of the company representing 12.5 per cent of the capital. In the report and accounts he is shown to have an interest in only 7.2 per cent.

Mr. Balding said that "... the company is drifting along. ... It is essential that positive action be taken today. Therefore I would suggest that Board gives me an opportunity to prove my arguments. I am willing to be co-opted to their Board for expenses only initially in an endeavour to assist the company to get moving rapidly in a positive direction."

In a written reply the Abwood directors said that "there are no present proposals (for a merger) with Mr. Balding or any other party which are under consideration by the Board. We are, however, actively considering strengthening the Board and in that context will, at our next Board meeting, give full consideration to the offer to serve as a Board member made by Mr. Balding."

In spite of the continuing depression in the steel industry, steps have been taken which should ensure an improved result in the current year from the group's steel and engineering interests, the directors say.

There is every expectation as well that the house-building subsidiaries should achieve another satisfactory result.

Kode well ahead at 28 weeks

ON SALES ahead from £2.85m to £3.73m for the 28 weeks to July 14, 1978, Kode International announces taxable profits well up from £402,082 to £608,025 for the period. Profits for the whole of 1977 were a record £864,408.

Mr. W. D. Tudor, the chairman, says that the trend noted 12 months ago to a more even spread of profits throughout the full year has continued, and is expected to be reflected in the profits for the remaining 24 weeks.

The prospects for the group continue to be encouraging, he adds, in the light of the satisfactory order intake and further investment in plant, product and management.

After first-half tax of £316,173 against £209,983 earnings are shown as 6.74p per 25p share compared with 5.425p and the net interim dividend is increased to 1.8425p (1.65p)—last year's final payment was 3.05p.

Kode manufactures, distributes and maintains computer peripheral equipment.

	28 weeks 1978	1977
Sales	3,728,374	2,833,468
Profit before tax	608,025	402,082
Tax	316,173	209,983
Net profit	291,852	192,099
Dividends	90,953	71,410

£0.5m fall at Raine Engineering

FOLLOWING THE sharp downturn from £395,000 to £103,000 in the first half, Raine Engineering Industries finished the year to June 30, 1978, with pre-tax profits of £282,000 compared with £838,000 previously.

In their interim report, the directors said they did not anticipate that the year's profit would match that of 1976-77, but a better trading pattern was being experienced in the second half.

Earnings per 10p share are shown at 1.106p (2.273p). An unchanged final dividend of 0.5852p maintains the total at 0.8712p. A total not less than the previous year's was expected.

BIDS AND DEALS

Dawson's circular causes problems with SE

BY TERRY OGG

Dawson International yesterday attempted to head off a potential row with the London Stock Exchange over its decision to send its shareholders a circular that had not received the Exchange's approval.

In a letter to the Exchange, Dawson directors expressed their regret that the incident had occurred but pointed out that they had an overriding duty to their shareholders to disclose material information concerning William Baird's bid for the outstanding shares in Dawson.

Dawson believes that directors must decide what is a material fact and - if information is material, they have an obligation under the City Takeovers Code to disclose it.

The row stems from the inclusion in the Dawson defence document of a sentence which may be defamatory.

Under the listing agreement, Dawson is required to submit proofs of documents to the Quotations Department of the Stock Exchange in time for them to be examined and approved prior to final printing.

When Dawson submitted the first of the proof copies, the department raised the issue of possible defamation and told the company the document could not be approved in that form. A second proof was submitted with some changes made and with the offending words apparently accidentally left out. A third and final proof was submitted with the sentence re-instated and the department again considered its position.

The problem faced by the Quotations Department was that while the document conformed with the listing requirements it contained a sentence which it felt might involve the Exchange in a possible defamation action. The Dawson directors, on the other hand, saw the sentence as a material fact which their shareholders were entitled to know.

The impasse was broken by Dawson dispatching a document to its shareholders which did not have the official nod from the Exchange.

It is this action that threatens to broaden the issue. The quotations department will now probably have to consider the more general principle of what happens if it gives an informal direction to a listed company and this is ignored.

LEGAL & GENERAL IN U.S.

Legal and General Assurance Society, the largest pensions company in the UK, has extended its coverage of pension arrangements for multinational companies by linking up with Metropolitan Life, of New York, the second largest U.S. insurer.

L and G has established an international network of experienced and able insurance companies, whose knowledge of employee benefits in their own countries can be rapidly called upon. The network covers countries such as France, Japan, Germany, Netherlands, Belgium, Ireland and Switzerland.

The company has found that in devising employee benefit schemes for personnel working overseas, it is particularly difficult to co-ordinate schemes to take account of local conditions. L and G finds this internationally co-operative approach enables it to find solutions more rapidly and economically than a series of one-off negotiations in each country.

WELLCOME

The Wellcome Foundation, the private British pharmaceutical company with sales last year of £341m, is negotiating to buy the Jensen Salsbery Laboratories division of Richardson Merrell Inc.

The discussions are expected to be concluded within the next few weeks when a further announcement will be made.

The Wellcome Foundation is owned by a charitable trust set up in 1936.

JFB CUTS STAKE IN MITCHELL SOMERS

Johnson and Firth Brown (JFB) yesterday sold 512,010 ordinary shares of Mitchell Somers. This has the effect of reducing JFB's investment in Mitchell Somers from 23.3 per cent to 20 per cent. JFB intends to keep this stake.

JFB has for some time been rationalising its investments and the intention has been to maintain Mitchell Somers as an associate which requires a minimum 20 per cent holding. The additional 3.3 per cent served no useful purpose in the view of JFB.

JFB originally bought 3,652,495 Mitchell Somers shares, mainly some four years ago, at an average price of 15½p per share, totalling £560,000. The sale releases £300,000, including a surplus over original cost of £320,000. The shares were sold after consultation with Mitchell Somers and were purchased by a pension fund.

AGB PURCHASES SECURITY GAZETTE

AGB Publications, a wholly-owned subsidiary of AGB Research, has completed negotiations for the purchase of the Security Gazette Ltd.

Security Gazette publishes a magazine of the same name in the area of crime and fire prevention, risk management and loss control.

British Vita pays £2m for Caligen Foam

British Vita Company, Manchester based rubber and plastics group, is buying Caligen Foam for £2m cash from Caligen's joint owners Tenneco International of Houston, Texas and Tootal. The purchase will represent British Vita's "first mainstream entry into Europe," according to the group's chief executive Mr. Robert McGee.

Caligen, which has an annual turnover of about £10m, is a leading manufacturer of polyester foam, which is used principally in the garment, footwear and motor industries. British Vita's own manufacturing interests in polyester foam is as yet fairly limited.

In its last financial year (for the 12 months ending January 1, 1978) Caligen made pre-tax profits of £724,000. Profits before tax for the first eight months of the current year amount to around £650,000.

Tootal and Tenneco are making the sale because Caligen has become peripheral to Tootal's and Tenneco's main activities (respectively, textiles and oil). British Vita is anxious to buy as Caligen will extend its involvement in polymer technology.

Caligen's headquarters are based at Accrington, Lancashire, and it has a European subsidiary Caligen Europe BV based in Breda, Holland. British Vita intends to use the Holland offshoot as its base for future development in Europe.

Caligen showed net assets of £1.18m in its last accounts ignoring any potential liability for deferred tax. Independent valuations of Caligen's interests in land and buildings showed that net book value disclosed in the accounts was exceeded by £1.2m. The valuations took place in 1977.

Prior to completion of the deal Caligen will pay a dividend of £550,000 to the existing shareholders.

PARK PLACE STAKE IN A. & C. BLACK

Training and management consultancy group Park Place Investments has built up a 10.6 per cent holding (102,500 shares) in A and C Black, the publisher. The two companies are meeting at the end of this week.

A director of Park Place Investments said yesterday, "we like our investment in A and C Black and we are meeting the company to see what the score is. We will have to see what comes of it but we do not want to become involved in a battle."

Black has a Stock Market value of £1.28m, and net assets of 102.2p a share. In its last financial year it made pre-tax profits of £104,000 on turnover of £2.04m.

COURTAULDS ABANDONS BID FOR COMPTON

Courtaulds has abandoned its £11.8m bid for control of Compton Sons and Webb, the uniform manufacturer. Its move has been made after Vantona trumped the Courtaulds bid last week with a higher offer of £13.1m.

Courtaulds had received acceptances in respect of its offer which represented 12 per cent of the ordinary shares and 18.6 per cent of the preference shares of Compton Webb.

But "in view of the subsequent offers by Vantona Group announced on October 11," Courtaulds explained that its offer was being allowed to lapse and that the relevant forms of acceptance and transfer, share certificates and other documents of title will be returned to shareholders as soon as possible.

NEB sells Thwaites & Reed

The National Enterprise Board has sold its wholly owned subsidiary Thwaites and Reed, the St. Leonards-based clockmakers which built and still maintains Big Ben, to F. W. Elliott (Holdings) for just over £78,000.

Thwaites and Reed has cost the NEB almost £450,000 since it was bought for 240,000 in May last year, including the loss that is being made on the disposal.

The NEB took the company over in the first place because it believed it had considerable export potential which could be brought out by investment. But Thwaites and Reed, which buys most of its parts from outside suppliers and merely assembles clocks, has proved too small to run as an economic unit.

The merger with Elliott comes after five months of searching to find a purchaser able to integrate Thwaites and Reed's business with its own. Elliott, a family firm based in Hastings and Croydon, manufactures wood-case clocks and a number of clock parts; it feels that Thwaites and Reed's range of reproduction carriage clocks will complement its own production.

Thwaites and Reed has suffered from management problems under the NEB's short stewardship. The chairman and chief executive, Mr. Geoffrey Buggins, resigned as chairman in July after having been replaced as chief executive in March by Mr. Leonard Hyde. Mr. Hyde will remain with the company, but Mr. R. W. Elliott, who is chairman and managing director at Elliott, will fill both these posts at Thwaites and Reed.

TECALEMIT DEAL COMPLETED

Following receipt of the necessary consents from France the acquisition by Tecalemit of a 70 per cent interest in Fogautolube for FFr 13.8m has been completed.

HANIMEX

Hanimex Corporation, the photographic and leisure goods group, has sold International Merchandising Associates, a subsidiary of its Chicago operation, to P. Schoenberg Inc. of Chicago. As part of the deal Hanimex maintains the right to sell electronic products in the U.S.

SHARE STAKES

Home Counties Newspapers: County Bank has disposed of 315,000 shares which reduces its interest from 628,239 shares to 313,239 shares (12.53 per cent).

S. Casket (Holdings): The [illegible] Pension Trust jointly with [illegible] ITC Pension Investments on October 12 was interested in 944,422 shares (9.78 per cent).

Elswick Hopper: Under recent rights issue, Mr. J. L. [illegible], director, has taken up 345 shares and sold 57,818 shares. Mr. H. T. Easdale, director, has taken up 13,125 shares.

Blackwood Morton and Sons (Holdings): Mr. K. M. Hamilton and Mr. A. M. Leggate, directors, as trustees of a trust for the benefit of children of Mr. G. Morton, director, have acquired 200 shares.

Firmin and Sons: Mr. R. [illegible] Turner, chairman, bought 200 shares at 100½p.

Stenhouse Holdings: A trust in which Mr. W. M. Wilson, director, is a trustee, bought 14,180 shares at 104p yesterday.

Allied Plant Group: South Yorkshire Pension Fund has sold 100,000 shares reducing holding to 631,666 shares (6.31 per cent).

Hoskins urges Talbex holders to reject bid

BY TIM DICKSON

SHAREHOLDERS of Talbex Group have been urged to reject bid plans by their company for Birmingham-based contractor Hoskins and Horton.

Taking the unusual step of writing to another company's shareholders, Hoskins chairman, Mr. James Lloyd, claims his employees "are totally against any takeover by Talbex."

His letter follows "unsolicited" approaches by Talbex to the Hoskins Board which have already been firmly rejected.

Talbex subsequently called an EGM, which will be held later this month, when Talbex shareholders will be asked to authorise a bid for the outstanding equity of Hoskins "upon such terms as the directors think fit." Talbex already owns 29.8 per cent of Hoskins.

Mr. Lloyd's letter explains in greater detail, Hoskins' view that there is no commercial logic to a merger.

He states that there is "no common ground" between the two companies' activities while Talbex's general remarks about activities which are complementary in basic purchasing, production and management skills and the suggested marketing and distribution benefits "can be applied to almost any two businesses in British industry."

He adds: "It is significant that no complementary benefits are claimed from Hoskins and Horton activities in the supply of materials for the building industry which produced a major part of the group's trading profit in 1977."

On employee opposition, Mr. Lloyd says he has been informed in writing by union and non-union representatives that they are totally against the takeover.

Finally Talbex shareholders are advised that if they grant the board a complete discretion on the bid on any terms it thinks fit, this "could have a damaging effect" on the value of their investment in Talbex."

The letter concludes that reasons for the proposed merger "remain massively obscure."

Last month Talbex bought 29.2 per cent of Hoskins from Bahamas-based Artoc Bank lifting Talbex's total stake in Hoskins to 29.8 per cent.

Talbex, meanwhile, is 29.9 per cent owned by Artoc, which has strong Middle East connections and has agreed to support Talbex in particular "by means of underwriting or subscription for raising of additional equity capital or loan capital."

Yearlings up to 11%

The coupon rate on the local authority yearling bonds has shot up from 10½ per cent to 11 per cent this week. This is the highest level at which the one year bonds have been issued since March 1977. The bonds are placed at par and mature on October 24, 1979.

This week's issues are: Cambridgeshire County Council (£½m), Borough of Cynon Valley (£½m), Warwickshire County Council (£1½m), Metropolitan Borough of Wigan (£1m), London Borough of Barking (£½m), Borough of Thamesdown (£½m), Lochaber District Council (£½m), City of Wakefield Metropolitan Borough District Council (£1m), Birmingham District Council (£1m), City of Dundee District Council (£1m), Colchester Borough Council (£½m), Northavon District Council (£½m), Preseli District Council (£½m).

Herrburger Brooks profit down 13%

On turnover up by 31 per cent from £3.17m to £4.15m pre-tax profit of Herrburger Brooks, Nottingham-based makers of piano actions, keys and hammers, slipped by 13 per cent from £250,945 to £217,091 in the year to May 31, 1978.

But after tax down from £129,738 to £81,491, net profit improved from £121,207 to £135,600, giving earnings per share of 9.7p (9.55p).

The net dividend goes up from 1p to 1.11666p a share, absorbing £135,600 (£121,207).

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MINING NEWS

Profits pick up at Prieska

BY KENNETH MARSTON, MINING EDITOR

A GOOD recovery in the September quarter is reported by the Anglo-Vaal group's **Prieska** copper-zinc mine which in the year to last June suffered a fall in net profits to R6m (£3.5m) from R13.7m in 1976-77 as a result of rising costs and low metal prices. In the latest quarter, however, net profits are virtually double those of the preceding three months at R3.17m.

Although Prieska's September quarter shipment of copper and zinc concentrates was less than in the previous three months owing to the use of a smaller vessel, the company received adjusting payments from previous despatches and also enjoyed higher zinc prices coupled with some improvement in those for copper.

The group's antimony-producing Consolidated Murchison has made another quarterly loss. Sales of antimony concentrates were better, but the revenue obtained for them was still below the level of working costs. The sales were well short of production and they are expected to improve only moderately during the current quarter.

The group's gold mines, in common with the rest of the South African gold producers, lacked the previous quarter's bonus revenue arising from the change in the method of payment for bullion. But **Loraine** has done well with the assistance of increased production and lower costs. The State-aided mine's total net profit for the year to September 30 comes out at R3.24m against R2.56m in 1976-77.

Hartebeest, on the other hand, has suffered from lower production and higher costs in the September quarter. Its reduced net profit for the period is shown with those of the other mines in the group in the following table.

	Sept. qtr. R000	June qtr. R000	March qtr. R000
Hartebeestfontein	11,287	14,378	11,796
Loraine	†965	†871	†439
Cons. Murchison	*1,054	*994	254
Prieska	3,179	1,631	1,280
East Transvaal	703	1,569	693

†After receipt of State aid. * Loss.

KAISER'S GOOD THIRD QUARTER

CANADA'S major coal producer, Kaiser Resources, reports record third-quarter consolidated net income of C$21.3m (£9.1m), or 79 cents per share, compared with restated 1977 third-quarter profit of C$13.6m, or 51 cents per share. Sales for the 1978 third quarter were a record C$101.5m.

Strikes at other producers were a favourable factor, resulting in increased Kaiser shipments. For the first nine months, Kaiser has raised consolidated net income to C$46.9m, or 1.75 per share, against restated earnings of C$44.3m in the same period of 1977.

Strike actions affecting major coal producers in the U.S. and Australia gave Kaiser an opportunity to take advantage of a temporarily strong market situation which could lead to new long-term contracts outside Japan, the company's primary market.

N. CARBONISING BUYS UK MINE

Britain's only tungsten producers, the Carrock Fell mine in Cumbria, has been acquired by National Carbonising in a cash deal. Carrock Fell Mining, formerly a member of the Associated Industrials group, adds tungsten to NCC's existing natural resources interests in coal and oil.

Mr. Ronald Middleton, a Carrock Fell director, said that NCC expected to make a significant contribution to the engineering side of the mine's mineral processing activity.

The acquisition is regarded as "a small investment" and not indicative that NCC will diversify strongly into other minerals. The mine has been operational since April 1977 and possesses "sufficiently attractive ore reserves" to sustain activity for several years, he added.

MIM makes a good start

AUSTRALIA'S **MIM Holdings** has made a better start to its current year to net June with a first quarter net profit of A$11.96m (£7m) compared with A$8.8m in the same period of last year. On the latter occasion there was also a profit of A$7m on the sale of the company's stake in **Theiss Holdings**.

MIM says that its copper and silver sales rose during the latest quarter while those of lead and zinc were relatively steady. Shipping schedules improved the copper sales volume and silver sales were given a boost by the accelerated treatment of stocks of in-process material. MIM shares were 197p yesterday.

W. Platinum

REFLECTING THE dramatic improvement in the price of platinum, the **Lonrho** group's **Western Platinum** reports a working profit for the year to September 30 of R3.88m (£2.27m), compared with a loss of R310,000 in the previous year. The mine milled 1.06m tonnes of ore against 1.31m tonnes in 1976-77 and its sales amounted to R24.42m against R19.55m.

The estimate of recoverable materials from the matte produced was: platinum 2,148 kg (2,433 kg), nickel 1,383 tonnes (1,640 tonnes), copper 856 tonnes (1,022 tonnes) and palladium 951 kg (1,101 kg).

RANDFONTEIN & WESTERN AREAS

The new Cooke gold and uranium treatment plant of Johannesburg Consolidated's **Randfontein** mine was commissioned during the September quarter but because of mechanical problems full production is not expected to be achieved by the year-end.

During the past quarter the mine has raised its gold output in the face of a lower ore grade. Uranium profits have also risen, but so have working costs. On balance, however, the mine has come out with an increased net profit.

Western Areas has enjoyed a better gold price ($212 per ounce) increased production and lower costs. The benefits, however, have been swallowed by a sharply increased tax charge. As already reported, the mine is preparing to join the list of uranium producers.

	Sept. qtr. R000	June qtr. R000	March qtr. R000
Randfontein	18,914	18,357	13,527
Western Areas	7,086	7,314	3,432

S. ROODEPOORT PAYING 60c

A special dividend of 60 cents (35p) has been declared by South Roodepoort Main Reef Areas. It is payable about October 31 to shareholders registered on October 19. The company last declared a dividend of 20 cents at the end of 1974.

Early this month it was reported that the old South African gold mine had received an offer from an unnamed bidder. South Roodepoort shares were around 105p when dealings in them were suspended on September 29.

No 5-day week for miners yet

FOLLOWING more than two years of investigation, the Franszen Commission of Inquiry into a five-day working week in the South African mining industry, headed by the former senior deputy governor of the South African Reserve Bank, has come to the conclusion that the present system of 11-shift fortnight's should continue, reports Richard Rolfe from Johannesburg.

The commission established that, as will be familiar to readers of gold mining company chairmen's statements, even the compromise 11-shift fortnight has led to lower production and higher costs.

Its finding specifically were that output by black mineworkers fell 6 per cent in the year to last March and that a further 129 white and 7,588 black mineworkers had to be engaged. This led to an additional R30m (£17.5m) in production costs, while other costs related to the 11-shift system were put at R8m.

Last year the gold mines employed 36,000 white and about 370,000 black miners and total working costs were R1.59bn, of which labour totalled roughly half. The Franszen report says that the five-day week would affect production much more seriously than the 11-shift fortnight and that production loss without Saturday working would be not less than 12 per cent.

A fall of this magnitude, it says, would have serious consequences for the balance of payments, a prospect which should encourage the Government to take a tough line with white miners if they continue to agitate for a shorter working week.

ROUND-UP

The Zambian Government has now raised its holding in Nchanga Consolidated Copper Mines to 60.003 per cent from 51 per cent in return for writing-off K57m (£36.2m) in short-term loan to the company. The holding of **Zambia Copper Investments** in Nchanga will thus fall to 39.997 per cent from 49 per cent. Reconstruction proposals are also in hand for **Roan Consolidated Mines**.

* * *

Muscocho Explorations has arranged a private placement of shares to provide funds for mineral-resource projects in Quebec. Subject to the approval of the Montreal Stock Exchange and of the Quebec Securities Commission, **Bradley Resources Corporation** of New York has agreed to purchase 500,000 Treasury shares at 40 cents per share as an investment and has been granted a three-year option on a further 100,000 shares at 50 cents per share.

* * *

The Federal government will not give short-term aid to Australia's only asbestos miner, **Woodsreef Minerals**. An Industries Assistance Commission (IAC) inquiry has not been able to establish that Woodsreef's problems were short-term and thus the Government does not consider it is justified in joining the New South Wales government in giving direct financial support. Woodsreef Mines is 57.5 per cent owned by Woodsreef Minerals of Canada.

* * *

Near the end of November in Santiago, a call for public tenders will be put out for the sale of the Los Pelambres copper deposits, which are reckoned to have a potential as great as those at Chuquicamata. Recoverable ore deposits at Los Pelambres, 12,000 feet high in the Andes, near the Chilean city of Salamanca, total 420m tons. An Investment of $400m (£201m) would be required.

Wettern Bros. restores interim

Following a return to profitability in the second half of 1977, Wettern Brothers, the construction materials group, reports a pre-tax profit of £105,000 for the first six months of 1978, compared with a £90,700 deficit in the same period last year.

Also, interim payments are restored after one year's absence, with a dividend of 2.0671p net per 5p share—the same as last year's final which was paid from a £52,000 taxable profit.

Mr. J. H. Wettern, the chairman, says those areas which are still not performing to the directors' satisfaction are being closely examined and, where necessary, changed to produce the desired results.

Two important innovations have been introduced in recent months. Mono Concrete, a subsidiary, having studied the problems of land erosion, is well placed to market suitable products to fill a large demand in this sector.

While, Wettern Electric has added to its range a new service cable joint for industrial use. The development of a medium voltage jointing system is proceeding satisfactorily, the chairman states. The fruits of this effort are expected to materialise from 1979 onwards.

Plans to expand and improve the group's total operation are continuing to make progress, he adds.

External turnover for the period advanced from £3.87m to £4.78m. First half profit was subject to a deferred tax charge of £55,000 (nil) and an extraordinary debit this time of £55,900, relating to the medium voltage jointing system development. The interim dividend absorbs £34,737.

Scottish Northern Inv.

Revenue at Scottish Northern Investment Trust for the half-year to September 30, 1978, amounted to £1,111,212 before tax of £371,900. This compares with revenue of £1,049,012, before £391,640 tax, for the first six months to August 5, 1977.

At half-time investments totalled £63.42m (£55.84m) and net asset value per 25p share was 144.92p (120.58p). Net revenue emerged at £739,312 (£657,372) for earnings per share of 2.05p (1.81p).

The net interim dividend is maintained at 1.2p. A final of 2.46p was paid last time from record revenue of £2.17m. In June the directors said their forecasts for the current year indicated that it ought to be possible to continue their recent policy of progressive dividend increases.

HTV advertising revenue ahead by 20% so far

SO FAR this year advertising revenue at HTV Group is showing a one-fifth increase, Mr. Ron Wordley, director of television, said yesterday. There was no rate card increase in the pipeline, he added.

Discussing the annual report and accounts, which was posted to shareholders yesterday, Mr. Wordley revealed that budgeted programme costs for the current year amounted to just over £5m, compared with £3.5m in the previous 12 months. The number of broadcasting hours was not expected to be very different from last year's total of 331.

In his annual statement, HTV's chairman, Lord Harlech, says the directors anticipated another year of expansion on the television side while the other subsidiaries should benefit from the improvement in the country's general economic situation.

As known, pre-tax profits for the year ended July 31, 1978, rose from £2.9m to a record £3.21m on sales of £29.68m (£20.35m). Television activities accounted for profits of £2.26m (£1.94m) while fine art earned £0.62m (£0.52m), publishing and stationery £42,187 (nil) and property and leasing £0.33m (£0.23m).

In his annual statement, Lord Harlech says that television advertising revenue showed an increase of 28 per cent during 1977-1978. This has enabled the group to spend an extra £2.6m on programmes and to invest a further £0.79m on capital improvements. In addition, HTV was buying 50,000 sq ft of newly-built warehouse accommodation in Cardiff for £0.51m.

Exports for the year rose from £1.16m to £1.74m, with more than half going to the Americas.

Lord Harlech expresses serious reservations about some of the aspects of the Government's White Paper on broadcasting. He says it is an unwise decision to establish an entirely new body, the Open Broadcasting Authority, to operate the fourth channel rather than giving the responsibility to the IBA.

"The obvious, simple and cheaper solution would be to give the IBA a directive setting out the broad objectives to be achieved by a fourth channel and give that public authority the responsibility of providing a genuinely complementary service to the existing ITV 1," he states.

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Currency, Money and Gold Markets

Dollar slumps

The U.S. dollar fell to record lows in the foreign exchange market once again yesterday, despite determined and quite heavy intervention by central banks. The West German authorities gave their greatest support to the dollar for several months, but the U.S. currency touched a record low of DM 1.8290 against the D-mark, and finished at a record closing low of DM 1.8380. A lowest ever level was touched against the Japanese yen, at Y181.10, and the dollar's finishing level of Y181.70 was also a record for the close.

In terms of the Swiss franc, the dollar fell to SwFr 1.4990, before closing at SwFr 1.5095, compared with SwFr 1.5192½ previously. Closing levels for the D-mark and yen on Monday were DM 1.8530 and Y183.90.

The Swiss National Bank intervened heavily to support the dollar, particularly during the afternoon, and although the Swiss franc still rose sharply it did not quite reach record levels. Its trade-weighted appreciation, as calculated by Morgan Guaranty of New York, rose above 100 per cent once again, touching 100.7 per cent at noon, compared with 99.7 per cent previously. The dollar's depreciation, on a similar basis, widened to a record 11 per cent form 10.6 per cent.

Sterling's trade-weighted index, on Bank of England figures, fell to 62.1 from 62.2, after standing at 62.2 at noon and in the morning. The pound opened at $1.9970-1.9990, and fell to a low point of $1.9910-1.9920 in the morning. In the afternoon, it rose above $2 again, to a high point of $2.0000-2.0010, but then eased to close at $1.9955-1.9965, a rise of 70 points on the day. Market sources suggested that the Bank of England probably intervened to push up the dollar when the $2 level was breached, and that the Federal Reserve may have also supported the dollar.

FRANKFURT—The West German Bundesbank bought $27.15m as the dollar was fixed at a record low of DM 1.8408 against the D-mark yesterday. The previous record low was DM 1.8620 at the fixing last Friday. Yesterday's intervention by the central bank was the heaviest in recent months, and was necessary to prevent the dollar falling below the DM 1.84 level. Before the fixing the dollar touched a best level of DM 1.8470. The Swiss franc gained ground at yesterday's fixing, rising to DM 1.2195-1.2215 from DM 1.2180-1.2200, while sterling eased to DM 3.6680-3.6820 from 3.6930-3.7070.

AMSTERDAM—The dollar fell to a post-war low of Fl 2.0105 against the Dutch guilder at yesterday's fixing, compared with Fl 2.0385 on Monday.

BRUSSELS—A post-war low for the dollar was also touched against the Belgian franc at the Brussels fixing. The U.S. currency fell to BFr 29.07-29.22 yesterday, from BFr 29.5250-29.6750 previously, and the French franc also lost ground, to BFr 6.8735-6.9035 from BFr 6.9070-6.9370.

PARIS—The dollar fell sharply against the French franc to be fixed at FFr 4.2235-4.2375, compared with FFr 4.2710-4.2850 previously, while the D-mark strengthened to FFr 2.2965-2.3015 from FFr 2.2858-2.2908 on Monday.

MILAN—In fairly active trading the D-mark rose to a record high of L442.18 against the lira at the fixing, compared with L438.60 previously. The Dutch guilder also improved, rising to L404.92 from L402.52, while the Swiss franc increased in value to L539.02 from L534. The yen also rose sharply against the lira, but the dollar fell to its lowest level for 33 months. The U.S. currency declined to L813.80 at the fixing, from L819.55, the lowest point since January 1976.

ZURICH—Support for the dollar by the Swiss National Bank helped the dollar to improve slightly against the Swiss franc in early trading, although the U.S. currency was generally weaker against other major units. At mid-morning, the dollar rose to SwFr 1.5090, from an early level of SwFr 1.5060 but fell below the SwFr 1.50 level during the afternoon.

ANKARA—Turkey devalued its lira by small amounts against eight European currencies. The loss in value was heaviest against the D-mark, where the decline was 3 per cent. Devaluations against other currencies ranged from about 1 per cent to 2 per cent.

TOKYO—The dollar fell sharply against the yen, to close at Y183.37½, compared with Y186.15 on Monday. It opened at Y183.50, and recovered slightly before lunch, but lost ground towards the end of the day, in anticipation of a large balance of payments surplus for Japan in September, following the trade surplus of $2.109bn for that month recently published. The balance of payments figures are due to be announced today.

It was suggested in the market that the yen may come under further upward pressure if the realignment of the European currency snake reduces the speculative buying of the D-mark, and the weakness of the dollar continues.

THE POUND SPOT / FORWARD AGAINST £

Oct. 17	Bank rate %	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S. $	9½	1.9910-2.0010	1.9955-1.9965	0.50-0.40c pm	2.70	1.55-1.45c pm	3.01
Canadian $	10¼	2.3660-2.3780	2.3655-2.3585	0.60-0.50c pm	2.80	1.95-1.85c pm	3.23
Guilder	6½	4.08-4.14	4.12¾-4.13¾	2c pm-2c dis	0.74	3¾-2¾c pm	2.73
Belgian F	6	58.00-58.25	58.15-58.15	10-20c dis	-3.10	20-10c pm	-1.03
Danish K	8	10.22-10.28	10.24½-10.25½	11½-13½ore dis	-14.34	20½-22½ore dis	-8.39
D-Mark	4	3.66-3.69	3.66½-3.67½	3⅛-2⅛pf pm	8.58	8¼-8¼pf pm	8.54
Port. Esc.	18	88.30-89.75	89.80-89.48	70-170c dis	-16.14	200-400c dis	-13.45
Span. Pes.	8	139.00-140.10	139.00-139.10	25-125c dis	-6.47	125-225c dis	-4.59
Lira	10½	1,621-1,627	1,622½-1,623½	2-5 lire dis	-2.59	7½-9½ lire dis	-2.09
Nrwgn. K.	7	9.79-9.87	9.81½-9.82½	3½-5½ore dis	-5.50	7-9 ore dis	-5.49
French Fr.	9½	8.42-8.46½	8.45-8.46	2¾-1¾c pm	8.06	8-7c pm	6.75
Swedish Kr.	6½	8.67½-8.70	8.68-8.69	2½ore pm	1.76	6¼-4¼ore pm	2.66
Yen	3½	360-370	362-364	5.10-2.80y pm	9.75	8.00-6.70y pm	5.75
Austria Sch	4½	26.75-26.95	26.75-26.85	17-7gro pm	5.57	42-32gro pm	5.52
Swiss Fr.	1	3.00-3.05½	3.01-3.02	3⅝-2⅝c pm	12.93	10⅛-9⅛c pm	13.10

Belgian rate is for convertible francs. Financial franc 61.45-61.55.

Six-month forward dollar 3.27-3.17c pm. 12-month 5.70-5.60c pm.

THE DOLLAR SPOT / FORWARD AGAINST $

October 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Canad'n $*	84.15-84.55	84.31-84.34	0.03-0.01c dis	-0.27	0.03-0.06c pm	0.21
Guilder	2.0075-2.0135	2.0110-2.0135	0.30-0.25c dis	-2.10	par-0.20c dis	-0.19
Belgian Fr	29.06-29.21	29.06-29.10	9-14c dis	-2.35	11-16c dis	-1.09
Danish Kr	5.1125-5.1445	5.1125-5.1150	4.75-5.25oredis	-12.27	11-11.50ore dis	-7.80
D-Mark	1.8330-1.8450	1.8330-1.8345	1.00-0.95pf pm	6.02	3.05-3.00pf pm	6.45
Port. Esc	44.60-44.90	44.70-44.90	35-180c dis	-28.79	130-500c dis	-28.12
Lira	813.25-815.00	813.25-814.00	3-4 lire dis	-4.09	10-11.50lire dis	-4.80
Nrwgn. Kr	4.9085-4.9360	4.9170-4.9190	2.90-3.40ore dis	-8.54	7.50-8.00ore dis	-6.63
French Fr	4.2275-4.2350	4.2290-4.2330	0.50-0.30c pm	0.66	0.50-0.30c pm	0.37
Swedish Kr	4.2925-4.3045	4.2925-4.2935	par-0.20ore dis	-0.28	par-0.20ore dis	-0.09
Yen	181.40-183.15	181.40-181.60	1.10-1.00y pm	6.15	3.10-3.00y pm	6.52
Austria Sch	13.42-13.50	13.42-13.43	4.50-3.50gro pm	3.56	9.75-7.25gro pm	2.37
Swiss Fr	1.5040-1.5145	1.5040-1.5060	1.25-1.20c pm	9.21	3.82-3.77c pm	9.93

* U.S. cents per Canadian $.

CURRENCY RATES

October 17	Special Drawing Rights	European Unit of Account
Sterling	0.654090	0.682628
U.S. dollar	1.30597	1.36208
Canadian dollar	1.54287	1.60589
Austrian schilling	17.5882	18.3786
Belgian franc	38.0625	39.6978
Danish krone	6.71269	7.00291
Deutsche Mark	2.40403	2.50709
Guilder	2.62565	2.73980
French franc	5.52621	5.76470
Lira	1062.73	1108.87
Yen	240.037	247.708
Norwegian krone	6.42341	6.71336
Peseta	91.0966	95.0044
Swedish krona	5.61659	5.85685
Swiss franc	1.97871	2.05379

CURRENCY MOVEMENTS

October 17	Bank of England Index	Morgan Guaranty changes %
Sterling	62.10	− 41.9
U.S. dollar	81.56	− 11.0
Canadian dollar	78.52	− 18.4
Austrian schilling	145.41	+ 18.1
Belgian franc	113.93	+ 15.1
Danish krone	117.36	+ 6.0
Deutsche Mark	149.13	+ 41.0
Swiss franc	212.49	+108.7
Guilder	122.36	+ 19.0
French franc	98.60	− 6.5
Lira	55.05	− 48.4
Yen	158.09	+ 56.2

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Oct. 17	£	$		£ Note Rates
Argentina Peso	1.766-1.77	884.78-886.77	Austria	26.5-27.5
Australia Dollar	1.7050-1.7100	0.8550-0.8561	Belgium	61.0-62.0
Finland Markka	7.66-8.00	3.8415-3.8435	Denmark	10.20-10.30
Brazil Cruzeiro	37.80-38.80	18.94-19.44	France	8.40-8.50
Greek Drachma	70.505-72.233	35.32-36.19	Germany	3.62-3.72
Hong Kong Dollar	9.44½-9.46½	4.7300-4.7330	Italy	1600-1650
Iran Rial	137-143	68.64-71.64	Japan	364-374
Kuwait Dinar (KD)	0.532-0.542	0.2665-0.2715	Netherlands	3.97-4.07
Luxembourg Franc	58.05-58.15	29.09-29.11	Norway	9.80-9.90
Malaysia Dollar	4.36-4.37½	2.1900-2.1930	Portugal	88-104
New Zealand Dollar	1.8545-1.8615	0.9289-0.9315	Spain	142-147
Saudi Arabia Riyal	6.53-6.63	3.2715-3.3216	Switzerland	2.98-3.08
Singapore Dollar	4.32¾-4.34¼	2.1710-2.1730	United States	1.9975-2.0050
South African Rand	1.7217-1.7478	0.8626-0.8757	Yugoslavia	41-43

Rate given for Argentina is free rate.

Rate for Argentina on Monday (October 16) should have been 1,747-1,751.

EXCHANGE CROSS RATES

Oct. 17	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.996	3.670	363.0	8.455	3.015	4.128	1633.	2.356	58.10
U.S. Dollar	0.501	1.	1.839	181.9	4.236	1.511	2.018	813.5	1.180	29.11
Deutsche Mark	0.272	0.544	1.	98.91	2.304	0.822	1.097	442.3	0.642	15.83
Japanese Yen 1,000	2.755	5.499	10.11	1000.	23.29	8.306	11.10	4472.	6.490	160.1
French Franc 10	1.183	2.361	4.341	429.3	10.	3.566	4.763	1920.	2.787	68.72
Swiss Franc	0.332	0.662	1.217	120.4	2.804	1.	1.336	538.4	0.781	19.27
Dutch Guilder	0.248	0.496	0.911	90.13	2.099	0.749	1.	403.0	0.585	14.43
Italian Lira 1,000	0.616	1.230	2.261	223.6	5.209	1.857	2.481	1000.	1.451	35.79
Canadian Dollar	0.424	0.847	1.558	154.1	3.589	1.280	1.709	689.0	1.	24.66
Belgian Franc 100	1.721	3.435	6.317	624.8	14.55	5.189	6.932	2794.	4.055	10.

EURO-CURRENCY INTEREST RATES*

Oct. 17	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	13¼-13¾	8¾-9	8¼-9¼	9-11	par-⅛	2⅛-3⅛	6¾-7	9-12		6⅝-8⅝
7 day's notice	10¼-10¾	8⅞-9⅛	8¼-9¼	9-11	par-⅛	2⅛-3⅛	7¼-7½	12-15	9-9⅛	2¼-¼
Month	12-12½	9¼-9½	9¼-9⅝	10⅛-10⅜	par-⅛	3⅛-3¼	8½-8¾	13⅛-14⅛	9¼-9⅜	2⅛-2⅛
Three months	13-13½	10⅛-10⅛	9⅝-10	10⅛-10⅜	⅛-⅛	3½-3⅝	9¾-10	14-15	10⅛-10¼	3¼-3⅝
Six months	13½-14	10⅛-10⅛	9⅞-10⅛	9-9¼	¼-⅜	3⅝-3⅞	9⅞-10⅛	14¼-15¼	10⅛-10¼	3⅛-3⅛
One year	13⅛-13⅝	10⅛-10⅛	9⅞-10⅛	8¾-9	⅛-⅛	3⅛-3⅛	10½-10¾	14⅛-15½	10⅛-10¼	3¼-3⅝

The following nominal rates were quoted for London dollar certificates of deposit: one month 9.20-9.30 per cent; three months 9.75-9.85 per cent; six months 10.00-10.10 per cent; one year 9.95-10.05 per cent.

† Long-term Eurodollar deposits: Two years 9½-9⅝ per cent; three years 9½-9⅝ per cent; four years 9⅜-9½ per cent; five years 9½-9⅝ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars, two-day call for guilders and Swiss francs. Asian rates for closing rates in Singapore.

INTERNATIONAL MONEY MARKET

New York rates steady

Treasury bill rates were generally mixed with 13-week bills quoted at 8.13 per cent compared with an average of 8.209 per cent at the auction and 26-week bills rising to 8.60 per cent against 8.561 per cent at the auction. One-year bills rose to 8.44 per cent from 8.12 per cent. One-month certificates of deposit rose to 9.05 per cent from 9 per cent and two-month certificates were also firmer at 9.20 per cent against 9.15 per cent as were the three-month at 9.44 per cent from 9.38 per cent.

Federal funds were trading at 8¾ per cent, generally in line with the authorities' presumed target rate. The latest rise in the discount rate to 8½ per cent appears to have temporarily taken the steam out of the upward trend in rates with most people sitting back and waiting for what they see as an inevitable discount rate of 9 per cent.

AMSTERDAM — Interbank money market rates showed a slightly less pronounced reverse yield curve with call money quoted at 12-16 per cent against 12-14 per cent previously and one-month money at 10-10¼ per cent compared with 10¼-10⅝ per cent. Three-month funds rose to 9⅞-10⅛ per cent from 9¼-9⅝ per cent as did the six-month rate at 8¾-9¼ per cent from 8½-9 per cent.

FRANKFURT—In the interbank market call money was unchanged at 3.1-3.2 per cent as was one-month money at 3.45-3.55 per cent. The three-month rate eased to 3.85-3.95 per cent from 3.95-4.05 per cent and six-month funds stayed at 4.0-4.1 per cent. One-year money was slightly cheaper at 4.05-4.15 per cent compared with 4.1-4.2 per cent previously.

PARIS—Day-to-day money was slightly firmer at 7 per cent compared with 6⅞ per cent on Monday while longer term rates were unchanged at 7⅛ per cent for one-month through to 8⅛-8⅞ per cent for 12-month.

BRUSSELS—Deposit rates for the Belgian franc (commercial) were quoted at 8⅞-9 pre cent for one-month against 8¾-8⅞ per cent with longer term rates unchanged through to 8½-8¾ per cent for one year.

ROME—The Italian Treasury is to offer L4.5 trillion (million million) of bills at its October auction to replace maturities of L4 trillion. The bills consist of L500bn of three-month bills and L2 trillion of six and 12-month bills. Of the maturing bills, the Bank of Italy holds L516bn.

HONG KONG—Conditions in the money market appeared to be easier with call money at 7 per cent and overnight business dealt at 5 per cent.

UK MONEY MARKET

Large assistance

Bank of England Minimum Lending Rate 10 per cent (since June, 1978)

Day to day credit appeared to be in short supply in the London money market yesterday and the authorities intervened by buying a large amount of Treasury bills and a small number of corporation bills, all direct from the discount houses. Total assistance was termed as large and appeared to be overdone with discount houses paying around 6½ per cent for secured call loans at the close and small amounts picked up as low as 6 per cent. Opening rates were in the region of 8½-8¾ per cent touching 9 per cent during the day.

The market was faced with a sizeable excess of revenue transfers to the Exchequer over Government disbursements and a slight increase in the note circulate. Banks also brought forward balances a modest way below target. On the other hand there was a small amount of Treasury bills maturing outside official hands.

In the interbank market, overnight loans opened at 9-9¼ per cent and touched 9¾ per cent on the forecast of a small shortage. Rates tended to ease to 8½-8¾ per cent where a lot of business was seen, and after briefly touching 8¾-9 per cent, fell away to around 5 per cent at the close. Longer term rates tended to firm, reflecting market fears that this week may see MLR at 11 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

Oct. 17 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ф	Eligible Bank Bills ф	Fine Trade Bills ф
Overnight	—	5-9¼	—	—	—	9¼	6-9	—	—	—
2 days notice	—	-	9½-9⅝	—	—		-	—	—	—
7 days or 7 days notice	—	9¼-9½	9⅝-9¾	—	10¼	9¾	8½-9	—	—	—
One month	10⅛-9⅞	9¾-10⅛	9⅞-9⅞	10-10¾	10½	10⅝	9⅝	9⅝-9¾	10⅛-10⅛	10¾
Two months	10⅛-10⅛	10¼-10⅛	—	10¼-10¾	11⅛		9⅝	9⅛	10½-10⅛	11
Three months	10⅛-10¾	10¾-11⅛	10⅝-10¾	10½-11	11⅝	11½	9⅞	10-10⅛	10⅛-10⅞	11¼
Six months	11⅛-11	11⅛-11⅛	10½-11	10½-11¼	11¾	—	—	-	11⅛-11⅝	11½
Nine months	11-10⅞	11⅛-11⅛	—	10⅞-11½	11⅝	—	—	—	—	—
One year	11-10⅞	11⅛-11⅛	10½-11	10⅞-12	11⅝	—	—	—	—	—
Two years	—	-	11⅛-11⅞		-	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. * Longer-term local authority mortgage rates nominally three years 11¾-12¼ per cent; four years 12-12¼ per cent; five years 12¼-12½ per cent. ф Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 11⅛-11½ per cent; four-month trade bills 11⅞ per cent.

Approximate selling rates for one-month Treasury bills 9⅛ per cent; and two-month 9¹¹⁄₁₆ per cent; three month 9²⁷⁄₃₂-9⅞ per cent. Approximate selling rate for one-month bank bills 9¾ per cent; two-month 9¹⁵⁄₁₆-9⅞ per cent; and three-month 10¹¹⁄₁₆ per cent. One-month trade bills 10½ per cent; two-month 10¾ per cent; and also three-month 11 per cent.

Finance House Base Rates (published by the Finance House Association) 9½ per cent from October 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 6-7 per cent. Clearing Bank Base Rates for lending 10 per cent. Treasury Bills: Average tender rates of discount 8.8503 per cent.

GOLD

Record level

Gold closed at a record high of $227¾-228¼, a rise of $3¾, in fairly active trading reflecting the weakness of the dollar. The metal continued to rise immediately after the London close, touching $228¼-229¼, on short covering ahead of the U.S. Treasury gold auction, but then eased back as the market settled down. Gold opened at $227¼-228¼ yesterday, and fell to a low point of $227-$227¾, but then rose steadily until the close.

In Paris the 12½-kilo gold bar was fixed at FFr 31,000 per kilo in the afternoon ($227.86 per ounce), compared with FFr 31,125 ($228.72) in the morning, and FFr 31,025 ($225.62) Monday afternoon.

	Oct. 17	Oct. 16
Gold Bullion (a fine ounce)		
Close	$227¾-228¼	$224-224¾
Opening	$227¼-228	$223⅝-224¼
Morning fixing	$228.00 (£114.098)	$224.30 (£113.569)
Afternoon fixing	$227.75 (£114.103)	$223.40 (£112.726)
Gold Coins domestically		
Krugerrand	$234-236 (£117¼-118¼)	$232-234 (£116¾-117¾)
New Sovereigns	$64¼-66¼ (£62¼-33¼)	$63¾-65¾ (£32-33)
Old Sovereigns	$62¼-64¼ (£31¼-32¼)	$62-64 (£31¼-32¼)
Gold Coins Internationally	—	—
Krugerrand	$233¾-235¾ (£117-118)	$230-232 (£116¾-118¼)
New Sovereigns	$61¼-63¼ (£31-32)	$60¾-62¾ (£30¾-31¾)
Old Sovereigns	$62¼-64¼ (£31¼-32¼)	$62-64 (£31¼-32¼)
$20 Eagles	$308¼-311¼	$307-308
$10 Eagles	$165-168	$158-164
$5 Eagles	$107½-110½	$108-113

MONEY RATES

NEW YORK

Prime Rate	10
Fed Funds	8.75
Treasury Bills (13-week)	8.13
Treasury Bills (26-week)	8.60

GERMANY

Discount Rate	3
Overnight	3.15
One month	3.50
Three months	3.90
Six months	4.00

FRANCE

Discount Rate	9.5
Overnight	7
One month	7.125
Three months	7.4375
Six months	7.8125

JAPAN

Discount Rate	3.5
Call (Unconditional)	4.375
Bills Discount Rate	4.625

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Chase Manhattan revival goes on

BY STEWART FLEMING

NEW YORK, Oct. 17.

INCREASED INTEREST income and lower loan loss provisions have helped Chase Manhattan Bank, the country's third largest bank, to maintain the pace of its profits recovery set in the first-half of the year.

Third quarter profits from Chase are up 62 per cent from the same period of last year at $50.3m or $1.41 a share before securities transactions. In the third quarter of last year income was $31.1m on 91 cents a share.

The third quarter figures represent a 7 per cent profits increase compared with the second quarter.

For the first nine months of the year, earnings before securities transactions are 59 per cent higher at $138.9m or $3.92 per share against $87.1m or $2.65 per share in the same period of last year.

A big factor in the improvement in the bank's profits this year has been its recovery from the heavy loss provisions it was forced to make, in 1976 particularly, largely because of the loans it made in the real estate market which subsequently became depressed.

For the nine months, the bank's provision for loan losses has been reduced to $126.2m compared with $171.5m. Loss provisions made in the first nine months of last year. Third quarter loan loss provisions are $40.4m against $50.2m in the third quarter of last year.

There has also been a steady reduction in actual loan charge-offs, which were $104.7m in the first nine months of the year compared with $159.6m in the 1977 period.

In addition, the bank, in common with several of its competitors, has been experiencing improving net interest income as a result of rising loan volume. This has for the most part come from overseas lending, however. Domestic lending remains sluggish at the New York City banks, with one or two exceptions. Manufacturers Hanover, for example, has pointed to increased domestic lending as a factor in its rising profits.

In percentage terms, Chase's figures are showing higher increases than the 20 per cent or so profit rises other commercial banks have been reporting, but this largely reflects the recovery element in its profits.

● Agencies add from New York: Citicorp, the second largest of the U.S. commercial banks, made a strong upturn in the third quarter of this year. Operating profit per share has risen from 70 cents to 96 cents, and total operating net profits from $87.8m to $119.1m.

For the nine months to date, operating profit of $2.93 a share compares with $2.30, and total operating net of $363m with $288m. After securities transactions, per share profit shows a rise from $2.25 to $2.85.

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Bank of America, the largest bank in the U.S., announced a rise of 33 per cent in operating net profit to $147.3m, or $1.01 a share against 76 cents last time. For the nine months to date, the bank has turned in operating net profits of $368m, or $2.52 a share against $286m, or $1.97 a share. In both cases, the figures are virtually unchanged after allowing for securities transactions.

At the nine-month stage, loans outstanding are quoted at $45.9bn compared with $35.5bn a year ago, and deposits at $71.5bn against $62.3bn. Assets are shown as having increased from $77.2bn to $89.1bn.

Mr. A. W. Clausen, the bank's president, said that the improvement in the net interest margin continues to be the most significant factor in this year's overall earnings growth.

Republic Steel earnings soar

By Our Financial Staff

THE RECOVERY at Republic Steel Corporation, fourth largest of the nation's steelmakers, took a substantial leap forward in the third quarter, when net earnings jumped by 200.6 per cent to $30.6m, or $1.89 compared with 62 cents last time. Sales advanced from $751.3m to $869.1m.

This brings the net earnings total for the nine months to date to $71.7m or $4.43 a share, against $26.1m. Sales have risen from $2.18bn to $2.61bn.

At the second quarter stage, when net earnings had recovered to show a 41 per cent gain to $31.4m, the company president, Mr. William J. de Lancey, warned that the outlook depended heavily on the future level of steel imports.

Acquisitions boost Philip Morris in third quarter

BY DAVID LASCELLES

NEW YORK, Oct. 17.

PHILIP MORRIS, the major cigarette and drinks producer, moved into its 14th year of unbroke earnings growth to-day with an announcement of increased revenues and net earnings for the third quarter of this year.

Net earnings rose 22.3 per cent to $115.2m, equivalent to $1.91 per share, from $94.1m or $1.57 per share in the same period last year.

Consolidated operating revenues were up 32.1 per cent to $1.8bn. Much of this growth, though, appeared to come from beverages and non-domestic cigarette sales, areas where Philip Morris has recently made new acquisitions

According to the company, unit sales of Philip Morris USA, which produces brands like Marlboro, Merit and Benson and Hedges, were substantially the same as in 1977, though their market share improved.

The company added, "Philip Morris International's sales maintained their strong performance and also reached a record high." This did not include sales attributable to the international business of Liggett Group, which Philip Morris bought in mid-summer.

On the drinks side, sales of Philip Morris' Miller Brewing Company continued strong and capacity shortages now exist at all breweries. New breweries are being built in California and Georgia.

This quarter also included the first full results of Seven-Up Company, which Philip Morris acquired early in the summer. Sales here were higher than in this period last year, the company said.

Third-quarter results bring Philip Morris nine months operating revenues to $4.8bn against $3.8bn last year, and net earnings to $307m against $251m, equivalent to $5.10 per share compared with $4.19.

Crown Zellerbach lower

BY OUR FINANCIAL STAFF

CROWN ZELLERBACH LOWER STRIKES by pulp and paper workers are blamed for a sharp fall in third quarter profits at Crown Zellerbach, San Francisco based paper, packaging and wood products group.

Earnings per share dropped to 30 cents, compared with $1.12 a year ago, while profits fell to $7.63m against $28.7m. Sales were also down, at $600.4m against $618.3m.

Over the nine month period, earnings per share fell to $2.62 from $3.23, while overall net profits dropped to $66.9m, against $82.4m. Sales in the nine month period rose to $1.84bn, compared with $1.76bn a year ago.

The company said that the strike by workers in the industry has hit about 40 per cent of its North American pulp and paper capacity. The mills affected by the dispute are now operating at about 40 per cent of normal production,

Apart from the strike, which began in early August, other company businesses are performing well, Crown Zellerbach said. The dispute arose when union negotiators turned down wage increases of 10 per cent in the first year of a proposed two-year contract and 9 per cent in the second.

Boise Cascade sets record

NEW YORK, Oct. 17.

BOISE CASCADE, the paper and building materials group, has enjoyed its best three months ever. Third quarter earnings advanced from a corresponding $31m or $1.05 a share to $32m or $1.18 a share. Sales advanced from $605.3m to $684.5m.

Total earnings for nine months were $101.98m, equal to $3.77 a share compared with $87.67m or $2.97 a share for the same period in 1977.

Mr. John B. Fery, chairman, attributed the record nine months' performance to strong markets for paper and building materials. Agencies

Improvement for Warner Lambert

NEW YORK, Oct. 17.

THE DRUG and cosmetic company Warner-Lambert has reported an increase in earnings for the first nine months to $168.03m (or $2.11 per share) from $152.25m (or $1.91 per share), according to Mr. Ward S. Hagan, president and chief executive. Sales were also up to $2.06bn from $1.85bn.

Net earnings for the third quarter also increased to $60.79m from $53.7m, whereas sales for the quarter were slightly in excess of $730.11m compared with $646.03m for the same period in 1977.

For the last nine months, sales increased 11 per cent.

Agencies

Merrill Lynch moves ahead

BY OUR OWN CORRESPONDENT

NEW YORK, Oct. 17.

TWO MAJOR New York securities firms today reported sharp rises in profits, reflecting the surge in both volume and prices on the stock exchanges during the summer months.

Merrill Lynch, the industry leader, reported net earnings for the third quarter of $32.4m or 90 cents a share against $11.1m or 32 cents a share for the same period last year. Revenues were $433.7m compared with $296.2m.

Mr. Donald Regan, the chairman, said that the main factor behind the earnings rise was the market rally which began in mid-April. Commission revenues, he said, rose by 82 per cent. Revenues from other transactions also increased, except in the area of Government securities where there was a decline.

He added "In spite of an overall decline in the level of corporate financings, our investment banking revenues gained ground in both the third quarter and first nine months."

E. F. Hutton reported a 177 per cent jump in earnings during the third quarter. Net income was $11.1m ($1.61 a share) against $4m (69 cents a share) in the previous third quarter.

According to Mr. Robert Fomon, the chairman, the active stock market and "substantial contributions" from each of the company's major business activities made the quarter a fine one by any measure.

Champion International

By Our Financial Staff

CHAMPION International, the paper and plywood manufacturer, achieved a rise in operating profits to $1.13 a share in the third quarter compared with $0.91 a share last year.

Operating net profit rose to $56.2m against $45.61m in the same quarter last year, on sales of $895.5m against $802.7m.

Over the nine month period, operating profits rose to $3.14 a share compared with $2.34, while operating net profits went up to $156.6m against $117.9m. Sales rose to $2.6bn compared with $2.4bn.

The company said that the results exclude income from discontinued operations of $959,000 or $0.2 a share in the third quarter of 1977, and $5.4m or $0.12 in the first nine months of last year.

Solid growth at Eaton

NEW YORK, Oct. 17.

NET earnings of the transport equipment group Eaton Corporation for the third quarter rose by 20 per cent to $1.80. Net income was up from $26m to $31m, on sales ahead from $522m to $721m.

This result lifted nine months net income from $80m to $100m on sales ahead from $1.57bn to $1.9bn. Earnings per share moved up by 25 per cent to $5.74.

The recently acquired Cutler-Hammer contributed $2.3m or 13 cents a share to Eaton's third quarter profit. The whole of Cutler-Hammer's sales for the months of August and September were included, but because Eaton only acquired 62 per cent of that company's stock in early August, profits for the quarter reflect only that percentage of Cutler-Hammer's earnings, reduced by amortisation charges. Agencies

Sharp rise at Libbey-Owens

By Our Financial Staff

LIBBEY - OWENS - FORD, the glass, plastics and fluid systems company, has declared third quarter profits of $2.10 a share net against 94 cents a year ago. Earnings were up sharply, from $11.7m to $21.5m, while sales rose from $233.2m to $265.5m.

The sudden rise in earnings has resulted mainly from a capital gain of $11.9m on the sale of its shareholdings in the Nippon Sheet Glass, which it disposed of in July to the Sumitomo Group.

Libbey-Owens-Ford (LOF) was a founder shareholder in Nippon-American Sheet Glass, Nippon Sheet Glass's predecessor, when it was established in 1918. Five per cent of this stake was sold to Sumitomo in 1971, and the remainder this year,

American Cyanamid gain

By Our Financial Staff

AMERICAN CYANAMID, the diversified producer of chemical, agricultural, medical and consumer products, announced a rise in third quarter net earnings to $0.75 a share, compared with $0.67 a year ago. Net profits were $36m against $31.9m a year ago, while sales rose from $604.6m to $672.5m.

Allegheny Ludlum deal

Allegheny Ludlum Industries of the U.S. and Wilkinson Match of the UK have reached agreement in principle to acquire HTL Industries of Pasadena, California, for cash and stock in Allegheny Ludlum. Wilkinson is owned as to 44 per cent by Allegheny Ludlum as a result of the former company's controversial takeover of True Temper, the garden tools subsidiary of Allegheny, earlier this year.

Honeywell higher

Honeywell, the computer and control systems company, had net earnings for the third quarter 28 per cent higher at $2.05 a share. Agencies report from New York. Net income was ahead from $33.68m to $43.87m on sales up from $711.6m to $867.1m.

Merck earnings up

Merck, the pharmaceuticals group, reported third quarter net earnings equal to $1.04 a share compared with 92 cents, according to agency reports from New York. Net earnings were $78.4m compared with $70m. Sales rose to $196m against $130m.

RESULTS IN BRIEF

Union Camp makes steady progress

NEW YORK, Oct. 17.

NET earnings of the paper, chemicals and building materials group Union Camp for the third quarter rose by 12 per cent to $1.37 a share. Net income was up from $29.8m to $33.2m, on sales of $303.8m against $277.2m.

Another company with interests in building materials, Lone Star Industries, had net earnings of $1.47 compared with $1.01 a share for the third quarter, while Louisiana Pacific Corporation, the wood products and building materials concern, rose sharply from $1.63 to $2.10 a share for the nine months period.

Also reporting for the nine months were Lenox Incorporated, china and jewellery, little changed at $1.73 against $1.70, insurance brokers Marsh and McLennan, ahead from $1.44 to $1.80, Jos Schlitz Brewing Company, down from 85 cents to 45 cents, and the utility Southern Corporation, down from $1.66 to $1.20.

The wood and paper concern Olinkraft, currently the subject of a bid approach from Texas Eastern, moved up steadily in the first nine months from $2.99 to $3.16 a share. Rohm and Haas, which produces chemicals, also moved up for the period from $2.54 to $3.29, while Flintkote, which manufactures building materials, advanced from $2.62 to $4.32.

Further advances for the first nine months are reported by the bank holding corporation First Pennsylvania, up from $1.63 to $1.69, Gould Incorporated, electrical goods, ahead from $2.69 to $3.05, Knight-Ridder Newspapers, from $1.25 to $1.64, Wheelabrator-Frye, environment control, from $1.96 to $2.53, and the bank holding company Western Bancorp, from $2.38 to $3.31.

Two companies reported for the first quarter. Cook Industries, involved in agriculture and flooring, moved sharply downward from $4.87 to 15 cents, and schoolbooks publisher Jostens Incorporated edged upwards from 9 cents to 11 cents.

For the full year, motor components manufacturer Eltra Manufacturing made $1.30 a share compared with $1.12, while for the 40 weeks to October 8, Corning Glass Works moved ahead from $4 to $4.64 a share. Agencies

EUROBONDS

Bad day for dollar sector

BY NICHOLAS COLCHESTER

THE dollar sector of the international bond market had another bad day yesterday. Prices opened lower, after a weak finish to trading on Monday, and by the close they had fallen by an average of about ¾ per cent in active trading.

The poor performance of the dollar on the currency markets was reinforced by the increase to 9¾ per cent, from 9½ per cent, of the rate market participants are charged by the Euroclear clearing system. This brought the continuing rise in US interest rate home to the market. One market maker told of conspicuous Swiss selling. It was prices at the short end of the market that suffered most.

While Euroclear helped the dollar market down, it did the opposite for the Eurosterling market, which has recently been the scene of a savage shake-out. Euroclear reduced its sterling fees from 15 per cent to 13 per cent, removing most of the gap between this and the yield on Eurosterling inventory. The market bounced back up by about a point yesterday, although prices moved very variably.

In the DM sector, prices were unchanged after the fall of about ⅛ of a point on Monday. The secondary market has not been encouraged or depressed by the weight of new isues scheduled for the next four weeks. The total volum of DM 1.2 bn will require some digesting, but it is less than had been feared, is largely prime quality paper and is scheduled in a way that leaves some breathing space.

The Bank of American issue —DM 150 m until 1990 wit ha coupon of 5¾ per cent—is going well, and one dealer cited a pre-issue price of 99¼—99½. Deutsche Bank yesterday announced preliminary details of its DM 75 m bond for the City of Copenhagen. It will be a 12 year bond with a grace period of two years to give an average life of 7½ years. The coupon is 6 per cent and the indicated offer pric ewill be 99½.

On Thursday, Deutsche Bank is expected to announce a pritate placement of DM80m of convertible bonds for Olympus Optical, the Japanese manufacturer of photographic and optical equipment.

The same bank yesterday set the terms on the convertible for Marudai Food — an issue for which demand is said to be strong. The DM150m 1987 Marudai convertible has a coupon of 3½ per cent. The conversion price of DM10.33 per share, or Y1,033 at a fixed conversion rate of Y100 to the D-Mark, compares with the closing price yesterday of Y955. The shares were standing yesterday at their high for this year. Their 1978 low was Y761. The first date for conversion is February 1, 1979.

The first-ever Eurodollar floating rate note issue to be arranged and signed in the UAE was concluded yesterday in Abu Dhabi for the state-owned Algerian bank, the Banque Exterieure d'Algerie. The issue is for U.S.$40m and has a seven-year bullet maturity. The lead manager was the National Bank of Abu Dhabi.

U.S. QUARTERLIES

AMERICAN HOME PRODS.	1978 $	1977 $
Third Quarter		
Revenue	842.4m.	733.6m.
Net profits	92m.	80.6m.
Net per share	0.58	0.51
Nine Months		
Revenue	2.42bn.	2.13bn.
Net profits	259.5m.	229.6m.
Net per share	1.64	1.45

NORTH AMERICAN PHILIPS	1978 $	1977 $
Third Quarter		
Revenue	530m.	497m.
Net profits	14.8m.	13.7m.
Net per share	1.13	1.06
Nine Months		
Revenue	1.57bn.	1.38bn.
Net profits	43.1m.	39.9m.
Net per share	3.34	3.09

MEMOREX	1978 $	1977 $
Third Quarter		
Revenue	152.6m.	114.1m.
Net profits	9.9m.	14.0m.
Net per share	1.25	2.05
Nine Months		
Revenue	450m.	326m.
Net profits	37.8m.	40.6m.
Net per share	5.18	6.07

TRANE CO.	1978 $	1977 $
Third Quarter		
Revenue	146.5m.	127.2m.
Net profits	7.12m.	5.90m.
Net per share	1.27	1.04
Nine Months		
Revenue	419.9m.	359.2m.
Net profits	20.97m.	17.29m.
Net per share	3.75	3.09

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aga Akt. 9¼ 88	25	96¾	97¼	−0¼	−0½	9.71
Australia 9 82	350	95¾	96¼	−0¾	−0¾	9.42
Australia 8.45 83	175	97¾	98¼	+0	−0¼	9.15
Australia 9¼ 93	75	99¾	100¼	−0	−0¼	9.31
Beatrice Foods 7⅞ 83	100	94½	95	−0½	−1¼	9.19
CECA 8¾ 87	50	96¼	96¾	−0¼	−0¾	9.34
CECA 9 93	25	98¼	98¾	−0¼	−0¾	9.16
CECA 9¼ 98	25	99⅝	99⅞	−0¾	−1	9.22
CNT 9 93	75	97¾	98¼	−0¾	−0¾	9.24
Canada 9 83	350	†96½	97	+0¼	+0¼	9.10
Canada 9.20 85	250	†96½	96¾	−0¼	+0¼	9.08
Canada 8¾ 98	250	†95	96	−0¼	−0¾	9.33
Canadair 8¾ 83	70	96½	96¾	−0¼	−1¼	9.44
Dominion Bridge Co. 9 86	25	94¾	95¾	−0¼	−0¾	9.92
EIB 8¾ 85	100	97¾	98¼	+0	−0¼	9.27
EIB 8¾ 88	75	98½	99	−0¼	−0¼	9.30
EIB 9¼ 93	100	98¼	98¾	−0¼	−0¾	9.31
EIB 9¼ 98	125	98¼	98¾	−0¼	+0	9.52
EIB 9¼ 93	100	99¼	99¾	−0¼	+0¼	9.51
Elsam Jutland 9 85	25	96¾	97¼	−0¾	−0¾	9.65
Eksportfinans 9 86	50	97¾	98¼	−0¼	−0¾	9.36
Export Developmt. 8.6 83	125	98¼	98¾	+0	+0	9.15
Finland 8¾ 83	100	96⅝	98¾	+0	−0¼	9.32
Finland 9 88	100	98	98½	+0	+0¼	9.49
Hospital O/S 9 83	25	97¼	97¾	−0¼	−1¼	9.69
ITC Industries 9 85	35	96¼	96¾	−0¾	−0¾	9.73
Itel Finance 9¾ 85	25	97¼	97¾	−0¾	−1¼	10.15
Itel Finance 9¾ 90	20	96½	97	−0¾	−1¼	10.49
Ito-Yokado 9¼ 85	20	99½	100¼	+0	−0¼	9.36
J. C. Penney 8¼ 83	100	97¼	97¾	−0¾	−0¾	9.15
Mac Bloedel 9¾ 93	50	97¼	97¾	−0¾	−1	9.55
NZ Dev. Fin. 8¼ 83	20	94¾	95¼	−0¼	−1	9.49
NZ Dev. Fin. 8¾ 85	20	94¾	95¼	−0¼	−1	9.40
Nat. West. 9 86	75	99½	100	−0¾	−0¼	9.03
Newfoundland 9½ 90	50	98¼	98¾	−0¾	−0¾	9.44
Nord Inv. Bk. 8¾ 88	25	96¾	97¼	−0¾	−0¾	9.22
Norges Komm. 9¼ 98	75	96¾	97¾	+0	+0¼	9.49
Norway 7¾ 83	250	94¾	95	−0¾	−0¾	9.32

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem.
Baker Int. Fin. 5¼ 93	1/79	34	106	107	−0¾	4.97
Boots 6¾ 93	2/79	2.16	98	99½	+0¼	0.96
Coca-Cola Bottling 6¾	4/79	9	95¾	96¼	−1¼	7.97
Ito-Yokado 5¾ 93	6/78	1473	148½	149¾	−2¾	8.59
Novo Industries 7 89	4/79	259	97¾	98¾	−0¾	3.19
Texas Int. Air. 7¾ 93	4/79	14.5	92¾	93¾	−1¾	10.86
Thorn Int. Fin. 7 88	11/78	3.67	102¼	103	−0¼	−3.58
Tyco Int. Fin. 8¾ 88	9/78	21	103¼	103¾	−1¼	7.32
Tyco Int. Fin. 5 84	5/78	61.5	75	75¼	+0¾	128.54
Asahi Optical 3¼ DM	12/78	588	99½	100¼	−0¼	10.60
Casio Comp. 3¾ 85 DM	11/78	841	109½	110¼	−0¼	5.16
Izumiya 3¼ 86 DM	10/78	989	113¾	114¾	+0¾	5.32
Jusco 3¼ 94 DM	1/79	1270	104¾	104¾	−0¼	25.67
Konishiroku 3¼ 85 DM	1/79	612	99¾	100½	−0¼	9.80
Murata Man. 3¼ 86 DM	11/78	854	99¼	99¾	+0	3.68
Nippon Air. 3¼ 88 DM	12/78	508	99¼	100¼	+0	7.15
Nippon Shinpan 3¼ DM	8/78	738	117¾	118¾	+0	0.34
Nisshin Steel 3¾ 86 DM	7/78	138	132¾	133¼	+3¾	−0.25
Ricoh 3½ 86 DM	10/78	627	106¼	107	−0¼	12.26
Sankyo Electric 3¾ DM	8/78	869	127½	128¼	+0¾	9.89
Sanyo Electric 3¼ DM	11/78	295	95¾	96¼	+0	12.34
Seiyu Stores 3¾ 86 DM	9/78	1275	119¼	119¾	+0¼	−2.90
Stanley Electric 3¼ DM	11/78	623	105	105¾	−0¼	14.45
Trio-Kenwood 3¼ 86 DM	11/78	711	98¼	99¾	−0¼	11.63

* No information available—previous day's price.
‡ Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.date=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

AIRLINE MERGERS

New paths to growth

BY JOHN WYLES IN NEW YORK

"MERGER MANIA" has been the notable feature of the U.S. corporate scene this year and has already resulted in 58 takeovers of $100m or more compared with 41 in the whole of last year. The galloping trend towards concentration of corporate power is causing some anxiety to anti-trust officials.

At the heart of this concern is the growing realisation in Washington that for many corporations mergers represent a much more attractive path to growth than the alternative of direct investment in new assets.

The reasons are not difficult to establish: several years of relatively depressed stock markets make possible the speedy acquisition of plant and equipment at prices often substantially below their true value while at the same time offering investors in the target company an attractive premium over market price.

The airline industry is one of the last major sectors to have succumbed to merger fever, not because airlines have seen no advantage in consolidation but because the regulatory process has made it difficult. However, with both the Civil Aeronautics Board and the Congress pushing the industry out into a freer, less regulated world, a number of airlines have decided to take the plunge and see whether they can convince the authorities of their need to combine.

The largest and potentially most significant bid for approval is Pan American World Airways' application to buy National Airlines for $350m. While it has National's agreement it also has a rival in the shape of the much smaller regional carrier Texas International Airlines (TXIA) which has just filed testimony with the CAB, graphically setting out the advantages of growth by acquisition rather than by direct investment.

Mr. Frank Lorenzo, TXIA's president and chief executive, has told the CAB that his goal is to acquire a 51 per cent holding in National, and thereby control, and to combine the Miami-based carrier with his own operation into a single airline. National was chosen because it is complementary, a medium and long haul operator while TXIA is shorthaul.

"No other alternative available to TXIA would satisfy its objectives at a price as economical as that of acquiring National," he adds.

On the back of official impetus into a freer, less regulated world, a number of airlines have decided to take the plunge and see whether they can convince the authorities of their need to combine.

If TXIA were to try to expand by itself into long haul routes it would, says Lorenzo, need a minimum of 10 Boeing 727-200s. Assuming that five aircraft could be purchased in 1981 for $16.5m each and five in 1982 for $17.5m each, then TXIA's total investment, allowing for spares and training would be in the region of $188m.

However, the comparative costs of acquisition make much sounder economic sense. TXIA has already purchased 20.5 per cent of National's stock in the open market for an average price of $27.83 per share. If it were to expand its holding to 51 per cent at the same $41 per share that Pan Am proposes to offer National shareholders with CAB approval then TXIA's total outlay would be $156m or $32m less than the cost of the ten new aircraft.

TXIA would, in fact, be taking control of a 52 aircraft fleet which is among the most modern in the U.S. whose market value is, says Lorenzo, "substantially higher than the book value" shown on National's balance sheet and "exceeds the open market price of National's common shares by a substantial sum."

He estimates National's equipment to be worth $76.27 per share which means that "TXIA could purchase a majority share of National Airlines for substantially less than it would have to spend on ten new 727-200s."

Finally, Mr. Lorenzo goes on to make the important point that his airline could not achieve its growth objectives as speedily and economically if it pursued the path of ordering new aircraft and seeking authority to develop new routes.

While not spelling out the financial advantages in so much detail, Pan Am's hunger for National has similar derivations. In his testimony to the CAB Mr. William Seawell, chairman and chief executive, stresses that the airline has an "urgent need" for a domestic airline system and "we cannot afford the billion dollar cost or the time it would take to create a domestic system from scratch."

Arguing that competition will be enhanced by the merger and more cheap fares made available to the consumer, Mr. Seawell claims that "the rapidly changing conditions in the international marketplace do not give us time to build up a domestic operation gradually."

The CAB's hearings into the applications begin in Washington on October 31 and a final ruling is expected by the end of next March or in early April.

Mortgage Bank seeks further rights issue

By Our Financial Staff

A RIGHTS issue to raise DM210m, about $113m, is proposed by Bayerische Hypotheken- und Wechsel-Bank, the leading mortgage bank in Bavaria.

This will be the second time that the bank has tapped shareholders for fresh finance in less than a year. Last November a rights issue to raise $80m was proposed.

A spokesman said the capital rise—through a one-for-six issue at DM 175 a share—was made necessary by the bank's "increased business." The bank's balance sheet total after nine months of this year was about 12 per cent higher at DM 44.3bn, while claims on customers in banking business rose by about 8 per cent to DM 14.7bn, it was pointed out.

AP-DJ reports from Frankfurt: West German banks posted, in absolute figures, their best business year ever in 1977. The report, taken from an analysis of earnings by the West German Federal Bank, suggests that operating results of German banks reached DM 11.9bn in 1977, DM 1.1bn above that of 1976 and DM 700m above 1975. The 13 per cent climb in operating results in 1977 from 1976 outpaced the 11 per cent growth in business volume, the Federal Bank said.

The earnings margin, measured by operating results as a percentage of business volume, was 0.72 per cent in 1977, little changed from 0.71 per cent in 1976 but below 0.96 per cent in 1975.

Net profits before taxes reached DM 11.1bn, or DM 2bn above both 1976 and 1975.

The interest surplus, seen by the Federal Bank as the most important earnings component, was DM 34bn in 1976, or 9.9 per cent above 1976, due largely to an increase in business of 5.8 per cent. The interest margin actually fell to 2.05 per cent in 1977 from 2.09 per cent in 1976, the Federal Bank analysis said.

Profits warning by Suez Finance

BY DAVID WHITE PARIS, Oct. 17.

COMPAGNIE Financiere de Suez holding company of French Suez banking, industrial and property group, has warned that its net profits are likely to be slightly lower this year than last but has promised shareholders the same dividend.

M. Michel Caplain, group chairman, said that the previous year's results, which showed a small increase in net earnings to Fr 171m (U.S.$39m) from Fr 170m, has been bolstered by exceptional gains.

In his letter to shareholders he said earnings would allow for the dividend level set in 1977 of Fr 25.5 including fiscal benefit to be maintained.

The second half of the year is being marked by several big financial operations, and in particular the company's contribution to a Fr 600m. capital increase by Saint-Gobain-Pont-a-Mousson, the glass and chemicals giant. Suez is the biggest shareholder with a 22 per cent stake.

M. Caplain said he expected a similar basic performance for the Saint-Gobain group this year as last, with satisfactory development overseas, where 52 per cent of total sales were made, but continuing problems in its French activities.

Of the two main banking arms of the group, Banque de l'Indochine et de Suez was expected to produce similar results this year after a slight drop in net profit in 1977 to Fr 77m.

On the other hand its clearing bank, Credit Industriel et Commercial, was in danger of seeing profits drop back because wages and costs were increasing at a faster rate than its domestic banking activity, closely linked to the overall trend of the French economy.

M. Caplain told a meeting of financial analysts that banking, finance and insurance accounted for 65 per cent of earnings. Industrial and portfolio holdings, which made up more than half of total assets, provided the remaining 35 per cent.

The group was studying possibilities for the raising of new capital to back up growth, but M. Caplain said no decision had been taken on the subject.

● La Caisse Nationale des Telecommunications (CNT) and La Caisse Centrale de Credit Hotelier Commercial et Industriel plan to issue the FFr 1.5bn of domestic bonds next week, Reuter reports from Paris. The issues were delayed by the issue on October 10 of FFr 3bn in government bonds.

The terms will be as originally planned with both bonds for 15 years carrying coupons of 10.30 per cent. The FFr 800m Credit Hotelier issue is state guaranteed and will yield 10.27 per cent while the FFr 700m CNT Bond will yield 10.24 per cent.

Former Credit Suisse chief sued for damages

BY JOHN WICKS ZURICH, Oct. 17.

THE FORMER president of the Swiss bank Credit Suisse, Mr. Felix W. Schulthess, is being sued for damages for alleged negligence in connection with the irregularities involving the bank's Chiasso branch which were uncovered in the spring of last year.

Damages of SwFr 10m ($6.5m) are being claimed in a civil suit brought by a Credit Suisse shareholder, Dr. Juerg Meister. Any damages awarded would be paid to Credit Suisse.

Dr. Meister, who is a Zurich lawyer, lodged this suit with the Zurich district court on October 3. At the Credit Suisse annual general meeting on April 4 this year, he voted against the discharging of the Board from personal responsibility for corporate operations in calendar 1977. This gave him the chance to file a so-called "responsibility suit" against the Board.

Mr. Schulthess retired from the position of Credit Suisse president in March, 1977. He subsequently gave up the title of honorary president accorded him at the annual general meeting. The action that Dr. Meister is bringing is a civil suit and has nothing to do with criminal proceedings against three former managers of the Chiasso branch. These criminal proceedings are now expected to come to court next spring.

Under Swiss corporate law, shareholders or creditors of a company can bring a suit of this kind in cases where persons responsible for the administration, management or control of the undertaking intentionally or negligently violate their obligations. In the case of a judgment against the defendant—in this case former Board president Schulthess—recourse may be had to the personal liability of other Board members.

The Credit Suisse Board is seen by Dr. Meister as having been negligent after investigations of the Federal tax authorities had pin-pointed "unusual transactions" and avoidance of withholding tax in Chiasso in 1969.

Facts published last year showed the irregular channelling of SwFr 2.2bn ($1.4bn) of clients' fiduciary funds by the Chiasso branch to the Liechtenstein company Texon-Finanzantalt. At the 1978 annual general meeting, write-offs of SwFr 1.2bn due to Chiasso were disclosed in Credit Suisse's 1977 accounts.

MEDIUM-TERM CREDITS

Banks look askance at EDF $300m facility

LEADING German banks are understood to be refusing to participate in a major £300m ten-year standby facility for Electricité de France because the spread is too low.

The suggested terms for a loan which would be a back-up for an issue of commercial paper in the U.S. include a spread of ⅜ per cent above the interbank rate, rising to ½ per cent. Such a spread would be the lowest reached in the current downturn in borrowing costs in this market. The lowest so far is a spread of ½ per cent.

Leading German banks pointed out that though they are sometimes prepared to make a special effort for a customer with which they have close links, they could not make the gesture in this case. They were opposed in principle to a fall in spreads to below the ½ per cent level.

Following the renegotiation of one of its major dollar denominated credits recently the Kingdom of Denmark is currently refinancing a DM 400m seven-year loan it arranged in February, 1977, through a group of banks, co-led by Compagnie Financiere de la Deutsche Bank and Kredietbank. That loan carried a split spread of 1½ per cent for the first three years rising to 1⅝ per cent for the remainder with three years' grace. The terms of the new loan which is for the same amount include a ⅝ per cent spread throughout with four years' grace. The rearrangement fee being paid by the borrower is ⅛ per cent for the managers and ⅛ per cent for the participants.

Meanwhile a Yugoslav borrower, Priverdna Banka Sarajevo, has obtained a $20m 12-year credit with five years' grace on a spread of ⅞ per cent throughout. Joint lead managers are Credit Agricole, Daiwa Bank and Tokai Bank. The reason this borrower was able to break through the 1 per cent barrier is that this financial credit is co-financing: the World Bank is providing a further credit of $55m.

The Qatar Petroleum Company has finally awarded a mandate to a group of five banks (Chase Manhattan, DG Bank, Qatar National Bank, Lloyds Bank International and UBAF) to raise $175m which will carry the guarantee of the state of Qatar. There are two tranches: the first, amounting to $75m, is for eight years with five years' grace and carries a spread of ¾ per cent for the first six years rising to ⅞ per cent; the second tranche is for ten years with five years' grace and carries a split spread of ⅞ per cent for the first five years rising to 1 per cent. The agent bank is Qatar National Bank and Chase Manhattan is in charge of the documentation.

Italian fears on easy credit

MILAN, Oct. 17.

MEDIOBANCA gives a warning in its annual report that easy credit conditions in the Italian economy are producing "distortions" in investment patterns. The bank says low interest rates were making it possible for loss-making companies to recapitalise themselves without acting to correct "unsustainable situations."

The solution is to slow the decline in the rate of return on investments, as other countries have done, Mediobanca suggests. AP-DJ

Upsurge at L'Oreal

BY OUR OWN CORRESPONDENT PARIS, Oct. 17.

THE SUCCESS of recent new products and growth in overseas distribution helped the French cosmetics group L'Oreal to bolster its net profits by a third in the first half of this year.

Foreign subsidiaries were reaping profits at a faster rate than the group's French operations, the company said. Net earnings in the first six months rose to FFr 101m ($23.6m) from FFr 76m in the same period last year. Group sales in the same period showed a 15 per cent expansion.

M. Francois Dalle, the chairman of the group, said the results confirmed earlier forecasts that L'Oreal's net profits for the year would be around FFr 200m, a sharp increase from last year's FFr 135m.

Growth abroad was particularly marked in Latin America, Australia and Japan. Among the overseas performances which have contributed to L'Oreal's rising profit, the company said that the losses suffered last year by its Italian subsidiary Saipo were sharply down.

Liquichimica awaits cash rescue

Liquichimica workers at the company's Augusta plant in Sicily have again gone on strike, abandoning maintenance work, in protest at the continuing failure to find a solution to the group's financial problems, Reuter reports from Rome. A request from banks to the state fund for financing industrial development in southern Italy, Cassa per il Mezzogiorno, for cash has so far gone unanswered.

Sprecher sales revised

BY OUR OWN CORRESPONDENT ZURICH, Oct 17.

THE SWISS electrical engineering concern Sprecher and Schuh AG, of Aarau, has revised its estimates for 1978 turnover. In an interview, company director Leopold Erhart says that the group will this year probably emerge with sales of between SwFr 470m and SwFr 480m—and not of more than SwFr 500m, as had formerly been anticipated. In 1977 group turnover amounted to SwFr 477m.

Erhart, who said the revision had been necessary in view of foreign-exchange developments, estimated that cash flow would this year be rather less than the SwFr 32.5m booked for 1977.

Prospects for 1979 are "less favourable," with new order value some 5 per cent lower than the SwFr 502m record

Norwegian call for aid

OSLO, Oct. 17.

THE QUESTION of measures to stimulate the Oslo Stock Exchange ought to be revived in 1980 when the current 15-month freeze on all types of incomes and prices is over, Mr. Arvid Johanson, chairman of Parliament's Industry Committee said today.

In the long run it is right that the supply of capital to industry is made as attractive as other sorts of capital investment such as bank deposits and betting, he declared. Reuter

1978 M.P. No. 494
IN THE SUPREME COURT OF HONG KONG
MISCELLANEOUS PROCEEDINGS

In the matter of Southern Pacific Properties Limited and In the matter of the Companies Ordinance (Chapter 32)

NOTICE IS HEREBY GIVEN that a Petition was on the 13th day of October, 1978 presented to the Supreme Court of Hong Kong for:–
(1) the sanction of a Scheme of Arrangement dated 20th September, 1978 between Southern Pacific Properties Limited and (i) the holders of its shares of $0.50 each other than those which are beneficially owned by Triad Holding Corporation S.A., Peter Munk and David Harrison Gilmour; and (ii) the holders of its shares of $0.50 which are beneficially owned by Triad Holding Corporation S.A.; and (iii) the holders of its shares of $0.50 which are beneficially owned by Peter Munk and David Harrison Gilmour; and
(2) the confirmation of the reduction of the capital of the Company from HK$78,250,000 to HK$2,685,946.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Honourable Mr. Justice Li at the Supreme Court at Battery Path, Victoria, Hong Kong at 9.30 a.m. on the 24th day of October, 1978.

ANY Creditor or Shareholder of the Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 17th day of October, 1978.

DEACONS,
6th Floor, Swire House, Hong Kong.
Solicitors for Southern Pacific Properties Limited.

SOBRANIE (HOLDINGS) LIMITED

Extracts from the circulated statement of the Chairman and Joint Managing Director, Mr. Charles C. Redstone:

The results are particularly disappointing because there were grounds for reasonable expectation that the year would be an improved one. In both our Laundry and Engineering divisions the accounts reflected distinct improvements and had a similar situation prevailed in the Tobacco division we should indeed be unveiling a very much more cheerful picture.

The results of improved productivity and the elimination of poorly priced services have resulted in a much better profit situation in the Laundry division. A substantial modernisation programme, now nearing completion, will give us a much better facility and will enable us to take on work which up to now we have not been able to handle.

Despite the continuing low level of activity in the engineering sector in general, our Engineering division finished the year with a much improved performance and a much heavier order book.

We believe that the situation in the Tobacco division and indeed generally, *is on the upturn and trading in the first few months of* this year has indicated a marked improvement.

PAN-HOLDING S.A.
LUXEMBOURG

As of September 30, 1978, the unconsolidated net asset value was US$ 95,776,325.88, i.e. US$ 136.82 per share of US$ 10 par value, showing an increase of 23.6% since December 31, 1977.

The consolidated net asset value per share amounted as of September 30, 1978, to US$ 153.58.

The dividend for the year 1977 amounting to US$ 2.35 per share was paid on July 3, 1978.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel.: 01-283 1101.
Index Guide as at October 10, 1978 (Base 100 at 14.1.77)

Clive Fixed Interest Capital	129.65
Clive Fixed Interest Income	114.20

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.
45 Cornhill, London EC3V 3PB. Tel.: 01-623 6314.
Index Guide as at October 12, 1978

Capital Fixed Interest Portfolio	100.00
Income Fixed Interest Portfolio	100.00

ART GALLERIES

CHANDE GALLERY, 6, Cork Street, W 1. 01-734 4626. Recent Paintings and Sculptures by W. F. ZAG. 26 Sept.-21 Oct. Mon.-Fri. 10-5.30. Sats 10-1.

FINE ART SOCIETY, 148 New Bond St., W.1. 01-629 5116. MAXWELL ARMFIELD.

J.P.L. FINE ARTS, 24, Davies Street, W.1. 01-493 2630. RAOUL DUFY drawings, watercolours 1900-1939. Oct 10-Dec. 8. Mon.-Fri. 10-6.

MARINE ARTISTS. Royal Society's Annual Exhb at Guildhall, E.C.2. Mon.-Sat. 10-5. Until 1 pm Nov. 3. Adm. free.

SLOANE STREET GALLERY. Recent Sculptures by ALEXANDER, in Stone Marble Bronze and Silver. 14th Oct.-30th Nov. Mon.-Fri. 10-5.30. Sat. 10-2.

SUSAN SWALE'S SALOME. Fieldborne Galleries, 63, Queen's Grove N.W.8. 586 3600.

THACKERAY GALLERY, 18 Thackeray St., Kensington Sq., W8. RODERIC BARRETT until 3 Nov.

CLUBS

EVE, 189, Regent Street. 734 0557. A la Carte or All-in Menu. Three Spectacular Floor Shows 1045, 12.45 and 1.45 and music of Johnny Hawksworth & Friends.

GARGOYLE, 69, Dean Street, London, W.1. NEW STRIPTEASE FLOORSHOW "AS YOU LIKE IT" 11-3.30 am. Show at Midnight and 1 am. Mon.-Fri. Closed Saturdays. 01-437 6455

All of these securities have been sold. This announcement appears as a matter of record only.

Not a New Issue — October 13, 1978

2,250,000 Shares

3M Minnesota Mining and Manufacturing Company

Common Stock
(without par value)

Kidder, Peabody & Co. Incorporated

Goldman, Sachs & Co. — Bache Halsey Stuart Shields Incorporated — Blyth Eastman Dillon & Co. Incorporated — Dillon, Read & Co. Inc. — Donaldson, Lufkin & Jenrette Securities Corporation
Drexel Burnham Lambert Incorporated — E. F. Hutton & Company Inc. — Lazard Frères & Co. — Lehman Brothers Kuhn Loeb Incorporated
Loeb Rhoades, Hornblower & Co. — Merrill Lynch White Weld Capital Markets Group — Paine, Webber, Jackson & Curtis Incorporated — Piper, Jaffray & Hopwood Incorporated
Salomon Brothers — Smith Barney, Harris Upham & Co. Incorporated — Warburg Paribas Becker Incorporated — Wertheim & Co., Inc.
Dean Witter Reynolds Inc. — Bear, Stearns & Co. — L. F. Rothschild, Unterberg, Towbin — Shearson Hayden Stone Inc.
Atlantic Capital Corporation — Basle Securities Corporation — Alex. Brown & Sons — Dain, Kalman & Quail Incorporated — Oppenheimer & Co., Inc.
Daiwa Securities America Inc. — F. Eberstadt & Co., Inc. — A. G. Edwards & Sons, Inc. — EuroPartners Securities Corporation
Robert Fleming Incorporated — Hudson Securities, Inc. — Kleinwort, Benson Incorporated — Moseley, Hallgarten & Estabrook Inc.
New Court Securities Corporation — Nomura Securities International, Inc. — Scandinavian Securities Corporation
Thomson McKinnon Securities Inc. — Tucker, Anthony & R. L. Day, Inc. — Wood Gundy Incorporated
Banque de Neuflize, Schlumberger, Mallet — Banque Nationale de Paris — Baring Brothers & Co., Limited — J. Henry Schroder Wagg & Co. Limited
Societe Bancaire Barclays (Suisse) S.A. — Vereins- und Westbank Aktiengesellschaft

Morgan Guaranty Trust Company
OF NEW YORK

announces the opening of a branch office in St. Helier, Jersey, Channel Islands. Telephone (0534) 71566.

WILLIAM A. NOBLE *Vice President and General Manager*

Until November 13 the branch's address is c/o Messrs. Bedell and Cristin, Normandy House, St. Helier. Its permanent address will be Queensway House, Queen Street, St. Helier.

INTL. FINANCIAL AND COMPANY NEWS

India boosts overseas investment

BY K. K. SHARMA — NEW DELHI, Oct. 17.

INDIAN companies are to be allowed to finance substantial participations in joint ventures abroad by way of cash remittances, under new Indian Government policy on investment abroad.

Until now, Indian companies' equity participation in such ventures has been limited to the extent of the value of equipment exported for the project. The new policy will enable them to increase their equity not only in *manufacturing concerns, but also* in those with marketing and distributive organisations.

This means that the Government recognises the need for Indian companies to operate abroad like companies based in other countries. It is significant *since it could lead to similar* concessions to foreign companies operating in India. These are now required to "Indianise" their equity holdings to the extent of 60 per cent under the Foreign Exchange Regulation Act (FERA).

The new policy for joint ventures is contained in guidelines for investment abroad in the *fields of trading, marketing,* consultancy and specialised services. These are expected to help Indian exporters to face competition in sophisticated markets in developed countries and to provide them with an additional means of improving their export *performance.*

The decision is based on there being in markets of developed countries a growing tendency towards increased margins at *wholesale and semi-wholesale* and at retail levels, affecting the fob value of exports.

Up to July, more than 300 proposals for joint ventures abroad had been approved since the beginning of the year. Of these, about 100 have already started operations, and others are in various stages of advancement.

Joint ventures have been launched in both the developed and developing countries in South East Asia, South Asia, West Asia, Africa, Europe and the Americas.

Industries in which they have invested include light engineering, commercial vehicles, textiles, chemicals, pharmaceuticals, plastics, oilseeds crushing and refining, consultancy, hotels and restaurants, as well as pulp and paper, sugar, leather and rubber products, trading, steel products, non-ferrous metals, glass and glassware, food and food processing and exploration for minerals.

Hong Kong China banks raise rates

By Ron Richardson — HONG KONG, Oct. 17.

THE 13 Peking-controlled banks operating here have broken ranks with their fellow members of the Exchange Banks Association—the cartel of leading banks which co-ordinates borrowing and lending rates—and raised rates on many of its term deposits. In a joint statement, the 13 banks, led by the Bank of China, said that they were increasing most renminbi (Chinese currency) term *deposit rates by 1 per cent* immediately.

The Chinese banks accept term deposits in Hong Kong dollars which are then con*verted into Chinese currency* for the duration of the deposit. Depositors receive a slightly higher interest yield than on normal Hong Kong *dollar deposits, while having* a guarantee against any exchange rate loss. At the same time, China gains an additional pool of convertible currency in its foreign reserves.

Although the move does not affect funds held in Hong Kong dollars, which make up the largest portion of the Peking banks' assets, it is tangible evidence that an important part of the banking industry feels that the general interest rate structure in Hong Kong is too low.

There is a widespread feeling here that the Hongkong and Shanghai Banking Corporation, which directly and through its subsidiaries controls more than 50 per cent of all deposits in the Colony, has for several months been using its power to keep interest rates down. But the going interest rate structure has caused problems for the many foreign banks with small operations which do not have access to large retail deposit bases.

These banks have to rely on interbank borrowing to gain funds for lending—and for several months interbank rates have been at a premium of several percentage points over the 6 per cent prime lending rate. As a result, they have been faced with the choice of operating at barely profitable levels or seeing their customers switch away.

At the last meeting of the Exchange Banks Association, the representatives of the foreign—mainly American—banks are understood to have pressed strongly for a rise in rates.

This was again rejected by the Hongkong and Shanghai. Now that the Chinese banks have publicly shown that they, to, think interest rates should rise, pressure is increased for an across-the-board rise in rates at the next meeting of the cartel, on October 26.

Western Mining under fire over registration proposals

BY JAMES FORTH — SYDNEY, Oct. 17.

WESTERN MINING CORPORATION, the nickel and uranium exploration company, has come under attack from the Australian Shareholders' Association over proposals by the company to alter its articles of association.

The proposed changes relate to the rights of directors to refuse registration of shares, the rights of shareholders in an annual meeting and the power of the chairman in the meeting. WMC shareholders will be asked to vote on the proposed changes at the annual meeting in *Melbourne on November 2.*

The moves were prompted by a rowdy six-hour confrontation with anti-uranium demonstrators at last year's annual meeting. WMC *has a uranium deposit at* Yeelirrie in Western Australia, for which it *has* announced plans to bring in Exxon and Urangesellschaft as partners, *and a promising copper-uranium* find at Roxby Downs in South Australia.

At last year's meeting, which was twice adjourned in an attempt to restore order, demonstrators threw streamers over the directors, blew whistles, waved banners and generally tried to disrupt the proceedings.

The new articles are aimed at restricting such protests but the ASA believes that they could also restrict the rights of shareholders. One of the proposed changes would invest the Chairman with the power *to demand* cessation of debate or discussion on any question, motion or resolution being considered if he considered it necessary or desir*able for* the *proper or orderly* conduct of the meeting. He could also adjourn a meeting without first seeking approval from the meeting and adopt any *procedures* he considers necessary for the "*orderly* casting of votes." In a letter to WMC the ASA said it was dismayed to learn that one of Australia's major public companies was seeking to amend its articles to reduce shareholders' rights, particularly in respect of shareholders' meetings.

The ASA said it was "implacably opposed" to the chairman having unlimited power to conclude debate or discussion at a meeting.

"*Such a decision rightly* rests with the meeting itself. If shareholders can only be heard at the whim of the chairman then the concept of an annual general *meeting* is completely superfluous," the ASA said. The ASA intends to oppose the changes at the annual meeting if WMC does not withdraw the proposals.

Jardine Matheson ahead

BY ANTHONY ROWLEY — *HONG KONG, Oct. 17.*

JARDINE, MATHESON and Co., the leading Hong Kong trading and service group, raised pre-tax profits by just under 7 per cent to HK$ 192.2m (U.S.$ 40.72m) in the first half of this year. Net operating earnings rose 7.1 per cent to HK$ 120.1m (U.S.$ 25.44m).

These are the first detailed interim results to be published by the group, which has now come into line with the more *stringent listing rules introduced* last December by the Hong Kong Stock Exchange.

Mr. David Newbigging, chairman and senior managing director, said that trading results up to the end of August and prospects for the rest of the year indicated that "the same level of earnings growth will be maintained for the full year."

This indicates pre-tax profits of about HK$ 515m (U.S.$ 109.11m) this year against HK$ 482m (U.S. $ 102.11m) last year.

Jardines' Board has declared an interim dividend equivalent to HK 20 cents a share (HK 19 cents in 1977) in scrip form with a cash option. The final dividend is expected to be the equivalent of HK 51 cents, making a total of HK 71 cents for 1978 against HK 67 cents last year.

Group turnover in the first half of the year reached HK$ 2,308m—a rise of just under 15 per cent over the corresponding period of last year.

In Japan, we have gained from the strong Yen while our business in South Korea has progressed well. Jardine Matheson (South East Asia), operating in Singapore and Malaysia, which has recently become a wholly owned subsidiary, performed satisfactorily, Mr. Newbigging said.

The operations of Jardine Davies Inc. in the Philippines have been stabilised, although at a low level, whereas results from Matheson and Company in the UK were good.

The Southern African subsidiary, Rennies Consolidated Holdings, reported a 35 per cent increase in earnings for the first half year of the year and it is expected that the full year's results will show an increase.

According to Mr. Newbigging: "The company's main operating area continues to prosper and our Hong Kong interests have shown good results, with the exception of our industrial activities which have had a very poor year."

Action was being taken to eliminate losses this year in Jardine Industries, which became a wholly-owned subsidiary of Jardine Matheson two months ago, Mr. Newbigging said. Jardine Industries, a trading, services and light manufacturing concern, has incurred heavy losses on its "concept 2000" project specialising in toys and light electronics.

The company increased its equity in Transport and Trading Company in the Middle East to 40 per cent, which brought total investment to US$80m. Prospects for the Transport and Trading Company, operating principally in Saudi Arabia and Kuwait, were encouraging.

Record rise for Clyde Industries

BY OUR OWN CORRESPONDENT — SYDNEY, Oct. 17.

CLYDE INDUSTRIES, the heavy engineering group, is planning its third annual free scrip issue after a 23 per cent rise in profit, to a record A$7m (U.S.$8.1m) in the year to June 30. The higher earnings *outpaced sales* which rose 12.4 per cent to A$130m.

The directors have declared a one-for-five scrip issue, which comes on top of last year's one-for-four handout and a one-for-three issue in 1976. The dividend is steady at 10 cents a share in the latest year and the Board expects this rate will be held on the increased capital. The payout is almost three times covered by earnings a share of 28 cents.

East Asiatic to buy River Estates equity

By Wong Sulong — KUALA LUMPUR, Oct. 17.

THE EAST ASIATIC Company of Malaysia has reached agreement to buy the equity of *River Estates, which is one* of the largest privately-owned estates in the East Malaysian state of Sabah.

It is to pay a cash consideration of 29.74m ringgits (U.S.$13.4m) to the owners of River Estates, plus an amount equal to one-third of the after-tax profits from timber operations for 1978-79.

River Estates is owned by a UK family, the Barretts, and has 8,500 acres planted with matured palm oil, as well as 22,600 acres of unused land in Sabah. It also has timber logging rights on some smaller land lots in the state.

For last year, River Estates produced 8,650 tons of palm oil and 1,460 tons of kernels. It made pre-tax profit of 7.1m ringgits in 1977 from palm oil and timber extraction, and a similar profit is expected this year.

EAC Malaysia said a *recent* valuation of River Estates, which has yet to be approved by the Malaysian authorities, puts the net tangible assets of the company at 32.8m ringgits.

Japanese overseas CD issues double

OVERSEAS FUND raising by Japanese commercial banks in certificates of deposit (CDs) rose to about $6.3bn in 1977, almost double the previous year's level, Japanese banking sources said here, AP-DJ reports from Tokyo.

In the first six months of this year, the total value of CDs issued by Japanese commercial banks in overseas financial markets reached about $5.9bn, it was said.

This announcement appears as a matter of record only.

THE LONG-TERM CREDIT BANK OF JAPAN, LIMITED

U.S. $15,000,000

Negotiable Floating Rate Certificates of Deposit

Maturity Date 13th October 1981.

Managed by

Nippon European Bank S.A.

October 1978

WOOD & SONS (HOLDINGS) LIMITED

Earthenware Manufacturers

INTERIM STATEMENT (unaudited)

	Half-year ended 30th June 1978 £	Half-year ended 30th June 1977 £	Increase	Year ended 31st Dec. 1977 £
GROUP SALES	2,296,000	2,054,000	11.8%	4,209,088
GROUP OPERATING PROFIT	342,000	309,000		457,902
Deduct: Depreciation, Directors' Remuneration Audit Fees and Interest Charges	101,000	95,000		204,713
GROUP PROFIT BEFORE TAXATION	241,000	214,000	12.6%	253,189
Deduct: Estimated Taxation	15,000	8,000		15,797
GROUP PROFIT AFTER TAXATION	226,000	206,000		237,392

"*It gives me pleasure to report the improved half yearly figures.* An Interim Dividend of ·67p per share (1977 ·33p per share) will be paid on the Issued Ordinary Capital of the Company. Warrants will be posted to Shareholders on 20th November. Our strong order position denotes continued growth during 1978."

16th October, 1978 — H. FRANCIS WOOD, Chairman.

WORLD STOCK MARKETS

Dow closes 8.8 lower after heavy turnover

INVESTMENT DOLLAR PREMIUM

$2.60 to £1—76½% (79¼%)
Effective $1.9960 35½% (37%)

WITH CONCERN over rising interest rates and persisting dollar weakness continuing to undermine sentiment, Wall Street took Monday's sharp slide a good stage further yesterday in much heavier trading.

However, the market ended above the day's worst, with the Dow Jones Industrial Average, which fell 22 points on Monday, retreating afresh to 858.11 before finishing a net 8.83 lower at 866.34. The NYSE All Common Index closed 91 cents weaker at $56.89, after touching $56.72. Falls were again widespread and outpaced gains by 1,551 to 143, while turnover showed a substantial increase to 38.01m shares from the previous day's total of 24.74m.

Expectations of further credit tightening after yesterday's Federal Open Market Committee meeting added to concern about the already high level of interest rates.

Last week, banks raised their Prime Rates to 10 per cent, the highest level since 1975, and the Federal Reserve boosted the Discount Rate to a record 8½ per cent from 8 per cent.

Federal Reserve activity in the Government Securities market yesterday may have reflected further credit tightening, but analysts said the outcome was still uncertain.

Michael Metz, of Oppenheimer and Co., said the escalating cost of money is creating "considerable cynicism about whether we can solve our (economic) problems without a credit crunch."

Another worry, analysts added, was the record level of margin debt reported by the New York Stock Exchange on Monday. They said rising interest rates could dry up margin buying.

Memorex dropped 10¾ to $38⅞, reflecting a sharp fall in third-quarter profits, but the company is expecting better fourth-quarter results.

Pan-American shed ⅛ to $7⅞, Eastern Air Lines 1⅛ to $11 and UAL 2¼ to $33⅞, all in active trading. Airlines were the subject of bearish Press comment.

TWA lost 1⅞ to $21½ despite reporting higher third-quarter net earnings.

McConnell Douglas, which has received a $140m order from World Airways for three DC-10s, declined ⅝ to $31⅞.

Caterpillar Tractor finished unchanged at $58½ after improved third-quarter profits.

Philip Morris, on increased third-quarter results, rose ½ to $71½.

Merrill Lynch eased ⅜ to $19¼, failing to respond to a jump in third-quarter earnings. Amie, which is holding merger talks with Merrill, reported higher third-quarter net profits but shed ⅛ to $22⅞.

Hanes provided a bright spot, advancing 1⅝ to $59½. Consolidated Foods, down ⅜ at $23⅞, is to offer $61 a share for the Hanes stock not already owned.

Teledyne retreated 3⅞ to $100⅞, IBM ⅜ to $279½, Disney 1⅞ to $41⅞, MGM 2⅞ to $43⅞, Caesars World 1⅞ to $39⅞ and Bally Manufacturing 3⅞ to $44⅞.

THE AMERICAN SE Market Value Index dropped a further 4.28 to 163.55 in a large business, the heaviest one-day fall since the index's inception in September, 1973. Volume reached 5.02m shares (3.29m).

Resorts International "A" lost 2⅞ to $44⅞ in active trading. Amdahl fell 1¼ to $51⅞ despite a rise in third-quarter profits.

Active McCulloch Oil eased ⅞ to $5½. The company reported that a Californian well flowed 13.6m cubic feet of gas per day on test.

Canada

A further sharp setback occurred in active trading, leaving the Toronto Composite Index down 13.1 more at 1,276.9. Oils and Gas receded 22.3 to 1,639.2, Metals and Minerals 11.0 to 1,129.1, Utilities 2.38 to 190.21 and Golds 4.1 to 1,660.7. The Banks sector, however, showed some resistance, gaining 0.85 to 303.11 on index.

The Real Estate index fell more than 54 points, as Nu-West Development "A" declined C$1 to C$19, S. B. McLaughlin ½ to C$8½ and Bramalea ⅜ to C$13½.

Westinghouse Canada shed C$1 to C$29 and Canada Trust Company "A" 1¼ to C$25½ after both reported lower third-quarter net profits, but Provigo rose ⅜ to C$20½ on higher earnings, and Consumers Glass, which raised its dividend, gained ½ to C$23.

Tokyo

Shares often improved afresh in a heavy turnover, spurred on by active buying by institutional investors and major investment trusts, but the fresh yen appreciation caused some export-related issues to decline.

The Nikkei-Dow Jones Average advanced 40.57 more to an all-time peak of 5,837.63, while the Tokyo SE index closed 1.32 higher at 437.43. Volume expanded to 350m shares (400m).

Public Works issues, Textiles, Chemicals, Machines, Shippings and Real Estates rose throughout the day in active trading.

Also upsetting export-orientated stocks, however, was Monday's announcement of a large Japanese customs clearance trade surplus for the first half of fiscal 1978. TDK Electronics lost Y30 to Y2,060, Pioneer Electronic Y40 to Y1,500, Matsushita Electric Y6 to Y745 and Canon Y8 to Y430.

Germany

In a technical reaction to its recent strength and also unsettled by the uncertain foreign exchange market situation, the stock market retreated over a broad front yesterday in light trading. The Commerzbank index came back 8.1 from its new eight-year high reached on Monday to close at 835.5.

Among generally weaker Banks, Bayerische Hypotheken - und Wechsel Bank, which announced a one-for-six rights issue, lost DM2.

In Electricals, Siemens receded DM 2.30, while Motors had Mercedes down DM 2.80 and BMW off DM 2.50. Elsewhere, Metallgesellschaft fell DM 9.00, Neckermann DM 5.30 and Krupp DM 3.80.

Trading on the Bond market was fairly quiet and Public Authority issues sustained further losses of up to 40 pfennigs. Mark Foreign Loans remained fairly steady, however.

Paris

An easier bias prevailed yesterday following light profit-taking, with confidence partly sapped by the depreciation of the French franc on the foreign exchange markets and the overnight weakness on Wall Street.

Banks, Foods, Motors, Engineerings, Oils and Chemicals lost ground, but Properties, Stores and Transports were firmer-inclined.

Suez, which said it expects to maintain the dividend this year, rose a point to FFr 307.

Generale Occidentale, however, despite reporting higher consolidated net profits for the year, *receded 2 to FFr 270, while* L'Oreal, failing to respond to increased interim profits, shed 5 to FFr 762.

Significantly lower at the end of the session were Simnord, Moet, Hennessey, General D'Enterprises, Perrier, Paris-France, Carrefour, CIT-Alcatel, Esso, *Nobel and Dollfus-Mieg.*

Australia

With sentiment further dampened by poor overnight Wall Street and London markets, Australian stocks closed predominantly easier after slow trading.

However, there were some bright spots in the Uranium sector, reflecting reports that the Federal Government is considering new moves to resolve the deadlock over uranium mining. Pancontinental picked up 30 cents to A$12.30, Kathleen Investments 10 cents to A$2.60 and Queensland Mines 5 cents to A$3.15, but Peko-Wallsend declined 6 cents to A$5.90.

Another firm exception in Minings was Pacific Copper, which advanced 10 cents to 85 cents, but Broken Hill South, strong of late on take-over speculation, came back 5 cents to A$1.50. MIM lost 4 cents to A$2.45.

Diamond stocks lost further ground as investors maintained a cautious approach to the latest Ashton venture progress report, CRA retreating 9 cents more to A$3.60 and Audimco 4 cents to 70 cents.

Industrial leader BHP receded a further 14 cents to A$8.50, while CSR cheapened 8 cents to A$3.40 and Bank of NS Wales dipped 4 cents more to A$7.66.

Among Buildings and kindred issues, Jennings were down 8 cents at A$1.03, but Associated Concrete further strengthened by 8 cents to A$1.93.

Hong Kong

The market turned easier in moderately active trading, largely on Jardine Matheson's first-half results, which did not fulfil expectations.

Jardine Matheson declined 50 cents to HK$17.50, Swire Pacific 30 cents to HK$10.30, Hong Kong Land 20 cents to HK$11.70, Hutchison Whampoa 10 cents to HK$6.25 and Wheelock 5 cents to HK$3.40, but Hong Kong Bank rose 10 cents to HK$20.30.

Elsewhere, Hong Kong Hotels receded 50 cents to HK$20.40, and Hong Kong Wharf and China Light 25 cents each to HK$33.50 and HK$30.50 respectively, but Hong Kong Telephone improved 50 cents to HK$34.75.

Johannesburg

Gold shares generally rallied following the previous day's setback, although trading was fairly light, inhibited by caution over the South West African talks being held in Pretoria.

Mining Financials, followed gold producers higher in later trading, but gains were modest. Among Diamonds, De Beers improved 15 cents to R8.00, while Anamint gained 50 cents to R81.50. Platinums rose afresh to close at the day's best levels with gains ranging to 7 cents. Copper shares were steady in a quiet trade.

Industrials were mixed with a softer bias. Metro Cash, in Stores, hardened a further 50 cents to R16.00 on further consideration of the results.

Amsterdam

Stocks generally slipped back a little following the overnight fall on Wall Street and the renewed decline in the dollar.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax. ♥ Pta 500 denom. unless otherwise stated. ♣ DKr 100 denom. unless otherwise stated. ф SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. i Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. ≠ Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

NEW YORK

Stock	Oct. 17	Oct. 16
Abbott Labs	34¼	34¼
Addressograph	24½	27
Aetna Life & Cas	40⅛	40¾
Air products	25⅝	27⅜
AlcanAluminium	33¼	33¼
Alcoa	49⅝	50

Stock	Oct. 17	Oct. 16
Corning Glass	58	59½
CPC Int'n'tional	51¼	52⅛
Crane	30⅞	33⅝
Crocker Nat.	28¼	28⅝
Crown Zellerbach	34½	35½
Cummins Engine	35⅜	35¾
Curtiss Wright	16½	17¼
Dana	31⅛	31¼

Stock	Oct. 17	Oct. 16
Johns Manville	31½	32¼
Johnson Johnson	80⅝	80⅝
Johnson Control	28	28¾
Joy Manufactur'g	32⅞	33¼
K. Mar Corp.	26⅝	27⅛
KaiserAlumini'm	38	38⅝
Kaiser Industries	2⅛	2⅛
Kaiser Steel	23¼	23⅞
Kay	14¼	14¾

Stock	Oct. 17	Oct. 16
Revlon	51¾	53
Reynolds Metals	36⅞	37½
Reynolds R. J.	59⅞	60¼
Rich'son Merrell	25½	25¼
Rockwell Inter.	36⅝	36⅞
Rohm & Haas	37½	38⅝
Royal Dutch	64½	64¼
RTE	12¾	13⅛
Russ Togs	11⅝	12

Stock	Oct. 17	Oct. 16
Woolworth	20⅞	21⅝
Wyly	5⅞	6
Xerox	53⅝	54½
Zapata	15⅝	16⅝
Zenith Radio	14⅝	15⅝
U.S.Treas.4% 1983	†94⅝	†94⅝
USTreas4¼%75/85	†80¼	†80¼
U.S. 90-day bills	8.13%	8.00%

CANADA

† Bid. ‡ Asked. § Traded. ¶ New stock.

Indices

NEW YORK—DOW JONES

	Oct. 17	Oct. 16	Oct. 13	Oct. 12	Oct. 11	Oct. 10	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	866.34	875.17	897.09	896.74	901.42	891.63	907.74 (8/9)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	88.02	88.08	88.30	88.35	88.21	88.28	90.66 (4/1)	86.75 (11/7)	—	—
Transport	237.44	245.96	249.81	250.12	249.85	248.59	261.49 (8/9)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	104.84	105.89	106.77	106.70	106.87	106.73	110.98 (3/1)	102.84 (22/2)	163.32 (22/4/69)	10.58 (28/4/42)
Trading vol. 000's	38,010	24,740	21,920	30,170	21,790	25,470	—	—	—	—

* Basis of index changed from August 24

	Oct. 13	Oct. 6	Sept. 29	(Year ago approx)
Ind. div. yield %	5.92	5.39	5.48	5.49

STANDARD AND POORS

	Oct. 17	Oct. 16	Oct. 13	Oct. 12	Oct. 11	Oct. 10	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	112.21	113.88	116.66	116.28	116.86	115.90	116.71 (12/9)	85.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
Composite	101.26	102.61	104.66	104.88	105.39	104.46	106.99 (12/9)	86.90 (6/3)	125.85 (11/1/65)	4.40 (1/6/32)

	Oct. 11	Oct. 4	Sept. 27	Year ago (approx.)
Ind div. yield %	4.69	4.79	4.86	4.75
Ind. P/E Ratio	9.81	9.59	9.43	9.28
Long Gov. Bond yield	8.58	8.64	8.58	7.76

N.Y.S.E. ALL COMMON

Rises and Falls

	Oct. 17	Oct. 16	Oct. 13
Issues traded	1,925	1,909	1,882
Rises	143	209	536
Falls	1,551	1,374	853
Unchanged	229	326	493

BASE LENDING RATES

A.B.N. Bank	10 %
Allied Irish Banks Ltd.	10 %
American Express Bk.	10 %
Amro Bank	10 %
A P Bank Ltd.	10 %
Henry Ansbacher	10 %
Banco de Bilbao	10 %
Bank of Credit & Cmce.	10 %
Bank of Cyprus	10 %
Bank of N.S.W.	10 %
Banque Belge Ltd.	10 %
Banque du Rhone	10½%
Barclays Bank	10 %
Barnett Christie Ltd.	11 %
Bremar Holdings Ltd.	11 %
Brit. Bank of Mid. East	10 %
■ Brown Shipley	10 %
Canada Perm't Trust	10 %
Cayzer Ltd.	10 %
Cedar Holdings	10½%
■ Charterhouse Japhet	10 %
Choulartons	10 %
C. E. Coates	10 %
Consolidated Credits	10 %
Co-operative Bank	*10 %
Corinthian Securities	10 %
Credit Lyonnais	10 %
Duncan Lawrie	10 %
The Cyprus Popular Bk.	10 %
Eagil Trust	10 %
English Transcont.	11 %
First Nat. Fin. Corp.	11½%
First Nat. Secs. Ltd.	11 %
■ Antony Gibbs	10 %
Greyhound Guaranty	10 %
Grindlays Bank	‡10 %
■ Guinness Mahon	10 %
■ Hambros Bank	10 %
■ Hill Samuel	§10 %
C. Hoare & Co.	†10 %
Julian S. Hodge	11 %
Hongkong & Shanghai	10 %
Industrial Bk. of Scot.	10 %
Keyser Ullmann	10 %
Knowsley & Co. Ltd.	12 %
Lloyds Bank	10 %
London Mercantile	10 %
Edward Manson & Co.	11½%
Midland Bank	10 %
■ Samuel Montagu	10 %
■ Morgan Grenfell	10 %
National Westminster	10 %
Norwich General Trust	10 %
P. S. Refson & Co.	10 %
Rossminster	10 %
Royal Bk. Canada Trust	10 %
Schlesinger Limited	10 %
E. S. Schwab	11½%
Security Trust Co. Ltd.	11 %
Shenley Trust	11 %
Standard Chartered	10 %
Trade Dev. Bank	10 %
Trustee Savings Bank	10 %
Twentieth Century Bk.	11 %
United Bank of Kuwait	10 %
Whiteaway Laidlaw	10½%
Williams & Glyn's	10 %
Yorkshire Bank	10 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 7%, 1-month deposits 7¼%.
† 7-day deposits on sums of £10,000 and under 6½%, up to £25,000 7½%, and over £25,000 7¾%.
‡ Call deposits over £1,000 7%.
§ Demand deposits 7½%.

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS 1292

GERMANY ◆

TOKYO ¶

AUSTRALIA

BRAZIL

OSLO

JOHANNESBURG

AMSTERDAM

BRUSSELS/LUXEMBOURG

PARIS

SWITZERLAND ◆

COPENHAGEN ◆

STOCKHOLM

SPAIN ♥

MILAN

VIENNA

Securities Rand U.S.$0.73 (Discount of 36.5%)

FARMING AND RAW MATERIALS

UK stands by fish policy

BY RICHARD MOONEY

BRITAIN WILL continue with its unilateral fisheries conservation policy in defiance of a call by the EEC Commission for the measures to be shelved while Brussels considers the situation.

On September 29 the Commission requested that national measures proposed — and in some cases already implemented — by the UK should not go further and asked for more information on the reasons for their introduction.

But in a letter sent to the Commission yesterday Mr. John Silkin, the UK fisheries minister, restated the reasons for the measures. Officials confirmed there was no intention to withdraw any of the existing conservation measures or delay the introduction of any not yet operating.

The measures are: reduction of the permitted white fish by-catch in small-mesh fisheries; closure of the West Coast of Scotland herring fishery; extension of the Norway pout box in the North Sea within which fishing for fishmeal is prohibited; a 70mm net mesh minimum for scampi fishing; and closure of the Isle of Man and the Mourne herring fisheries.

Mr. Eamonn Gallagher, head of the Commission's fisheries directorate, said in Brussels earlier this month that he was certain Britain would be brought before the European Court over the measures.

He said the case of Mourne fishery was the most likely for legal action. Britain had kept this fishery open despite a Commission call for its closure and when it was finally closed had allotted a further 400 tons of herring to British skiff fishermen, he claimed.

He said British action on this fishery illustrated the "anti-conservationist and discriminatory aspects of UK fisheries policy."

In its letter of September 29 the Commission complained that it had not been given adequate notice of the intended closure of the Mourne fishery. It had been notified on September 18 and the fishery was closed the following day. The Commission also said it had proposed the closure of this fishery almost a year earlier.

In its reply the British Government admitted that the Commission had been given short notice of the Mourne closure.

"But it was necessary to take urgent action to protect the stocks because of the appearance of large trawlers (mainly from Northern Ireland) off the coast."

It was also necessary to give the skiff fishermen a short breathing space because of the social and economic circumstances of the region, the letter said.

UK fisheries officials pointed out yesterday that there was some precedent for allowing social circumstances to override conservation in the European herring fishery.

In the spring of 1977 the Dutch were allowed to catch 1,500 tonnes of "protected" herring so that the "maatjes" festival could be celebrated in the traditional way, and last December French fishermen were alloted an extra 600 tonnes for socio-economic reasons.

On the discrimination question officials claimed the extra fish were available to skiff fishermen from any EEC nation, but they admitted that the 35 feet vessel length limitation effectively ruled out non-Irish boats.

At least one vessel from the Irish Republic participated in the extra 400 tonnes catch, they added.

The Irish Republic closed its own section of the Mourne fishery earlier this year but the Ministry officials claimed reliable sources reported that 350 tonnes of Mourne herring had subsequently been landed in Ireland for fishmeal production.

These were mainly immature fish, whereas the British skiff fishermen were more selective and did less harm to the fishery, they said.

The UK Government was surprised that the Commission should question the halving of the by-catch limit to 10 per cent because an "identical" measure was introduced by other members of the EEC, and approved by the Commission, at a meeting in Berlin late last year.

It disputed that its decsion to keep open the Clyde fishery while closing the rest of the West Coast of Scotland to herring fishing was contrary to scientific advice. "ICES (the International Council for the Exploration of the Sea) are aware that the Clyde stock has been managed separately for some years, and has not stated that a closure of the fishery is necessary."

ICES support is also claimed for the Isle of Man closure, the larger scampi net mesh limit and the pout box extension.

U.S. still backs sugar pact

By Our Commodities Staff

THE CARTER Administration is seeking ways to help keep the International Sugar Agreement (ISA) afloat despite the continued absence of U.S. membership, officials said in Washington yesterday.

The Agreement was dealt a severe blow last week when Congress failed to agree on a domestic sugar policy before going into recess. Without a domestic policy ratification of the agreement by the U.S. is impossible.

The officials said they were exploring the possibility of "discretionary action," but they declined to go into detail on what form this might take. "The U.S. does not want to see the ISA fail," one official said.

The Administration plans to press for quick action on a U.S. sugar programme and ratification of the agreement when Congress reconvenes in January, he added.

A major impediment to the ISA now is that member nations are not collecting fees to finance the stocks, while producing nations are holding stocks in expectation of financing.

TOBACCO FARMING

Kenya grows its own

BY JOHN WORRALL IN NAIROBI

KENYA has become a tobacco-producing country recently and has found it can grow a good crop very successfully. Kenya consumes a great deal of tobacco, mainly of the flue-cured variety, and has a large factory in Nairobi run by BAT (Kenya) producing up to 400m cigarettes a month.

British American Tobacco in Britain has 60 per cent equity in BAT (Kenya), and the Kenya Government holds 20 per cent through the Kenya National Security Fund. It is the only cigarette manufacturer in the country.

Up to February, 1977, the bulk of the leaf used in Kenya came from the Tobacco lands of Tanzania under one of those convenient and mutually profitable arrangements under the East African Common Market.

When the Common Market collapsed in February, 1977, with the demise of the East African Community, and Tanzania closed its border with Kenya, the tobacco trade ended, depriving Kenya of 3,000 or so tons a year. In addition, supplies of tobacco from Uganda started dwindling.

Only a tiny amount of tobacco was being grown in Kenya, so BAT was forced to go overseas for the bulk of its requirements and is buying leaf from the U.S., Canada, Pakistan, Thailand and Korea to make up for the shortfall from Tanzania and Uganda and maintain its level of production. The cost to Kenya in foreign exchange is considerable.

It was apparent to BAT and the Government that it was essential to institute a crash tobacco-growing campaign to make the country self-sufficient, and further the cause, to which Kenya is dedicated, of stepping up the level of rural incomes.

The country was not exactly without experience of tobacco-growing and have been about 150 tons a year produced by small farmers since 1973. The tobacco-growing areas are mainly in South Nyanza, Bungoma and Busia, on the Uganda border, and at Meru on the slopes of Mt. Kenya.

The company is following the trend in Kenya agriculture—encouraging the small farmers—which is already apparent in the tea, coffee and sugar industries. Such farmers in the key areas are being ecouraged to produce tobacco as a useful cash crop to supplement to their other crops.

After only two or three years of operation, small farmers are producing some 2,200 tons a year of mainly flue-cured, but also small quantities of fire-cured tobacco, which, with foreign imports brings BAT up to its required 5,000 tons a year.

Tobacco is grown on plots of an average size of one acre, but a few are as large as eight acres. Technical advice on fertilisers and chemicals is given to new farmers by BAT and Government extension officers. Crop finance is partly provided by the Agricultural Finance Corporation and partly by BAT.

Seed is provided by nurseries run by BAT, and farmers build their own mud and wattle curing barns. In a country where timber is scarce, farmers are encouraged to plant fast-growing eucalyptus trees for their firewood requirements.

The Kenya tobacco season is about seven months from seed to harvest and one crop a year is grown.

The company is continually adding to its small regiment of tobacco growers, but careful control is maintained to acquire the right type of grower. "We aim to be self-sufficient in tobacco by 1982, and providing we do not have a disastrous drought like we had in 1976 we believe we can make it," said Mr. Tim Kaloki, the leaf director of BAT in Nairobi.

Surge continues in platinum market

BY OUR OWN CORRESPONDENT

FREE MARKET prices for platinum continued their relentless surge upwards in London yesterday, spurred on by fresh increases in New York overnight and a Swiss bank's report saying that global demand for the metal will exceed supply this year by 50,000 ounces.

Yesterday afternoon's fix saw the price rise to a new high of £170.15 an ounce—up £8.15 on the day. The dollar price advanced to $340, up $16.75.

Traders said Swiss investors and speculators were among the most prominent buyers with the Japanese putting in only a token appearance.

Weakness of the dollar and the continued absence of Soviet sellers also helped boost prices.

Base metals had a quieter day on the London Metal Exchange. Tin rose sharply again in the morning after a large increase in prices on the Penang market, but the rises stopped and were reversed as trade selling took effect.

Cash standard tin lost £50 a tonne on the day with three months metal managing only a £.50 advance after the specular increases registered on Monday.

In Washington, the U.S. State Department said it would seek early action when the new Congressional session begins in January for approval of legislation allowing the U.S. to contribute 5,000 long tons of tin to the International Tin Council buffer stock.

The announcement followed defeat in the House for a Bill containing an amendment calling for the contribution to the buffer stock and for authorisation for the U.S. to sell 30,000 tons of tin from the nation's stockpile.

Also in Washington, Mr. Mbala Mbabu, Zaire Minister of Mines and chairman of CIPEC, the copper producers' organisation, expressed concern to the State Department over the International Trade Commission recommendation for a 300,000 short ton annual quota on refined copper imports.

Mr. Mbabu said the proposed quota would adversely affect economies of CIPEC nations, decrease their foreign exchange earnings, and restrict trade.

Brazil increases cocoa areas

BRAZIL WILL have increased its cocoa area by an estimated 93,918 hectares to about 532,000 hectares by the end of 1978 under its long-term expansion programme, Brazilian cocoa sources said in London yesterday.

This is slightly less than originally planned when the programme began in 1976, but it can be considered good progress, Brazilian delegates to the International Cocoa Organisation preparatory committee meeting said.

Meanwhile, 12,000 hectares of existing plantations will have been renewed by the end of this year, the sources said.

Brazil has increased its 1979 area targets to compensate partly for falling short of its intentions in the first three years of the programme.

New plantings in 1979 are now planned on 50,615 hectares and renewals on 10,714 hectares, according to figures issued by Brazil's Cocoa Farming Recovery Plan Commission.

If these new targets are met the amounts by which new plantings and renewals fall short of original intentions will be an estimated 16,067 and 7,254 hectares respectively by end 1979, against 20,882 and 7,965 hectares respectively a year earlier.

Under the expansion programme, Brazil plans to increase cocoa output to 700,000 tonnes by the early 1990s compared with about 257,000 tonnes in the crop year 1977-78, from October-September.

Meanwhile, London cocoa and shipping sources said no delays were expected in the shipment of new crop cocoa from Ghana this year.

Rumours in the past few days suggested that oil shortages up-country in Ghana and delays in loading at the ports could hold back supplies of new-crop cocoa. The main crop season started last week.

Although some traders said oil shortages were again affecting delivery of cocoa to the ports, the general consensus was that this is a recurring problem and not one likely to produce any extraordinary delays.

Reuter

Veto sought on beef laws

CANBERRA, Oct. 17.

AUSTRALIA will ask U.S. President Jimmy Carter to veto legislation which restricts beef imports. Mr. Malcolm Fraser, Australian Prime Minister, told Parliament on Tuesday he had written to Mr. Carter asking him to do so, following passage of the legislation by the U.S. Congress.

Mr. Fraser said short-term prospects for the Australian beef industry were better than they had been for many years, but the medium to long-term effects of the U.S. legislation were potentially damaging to Australia.

Mr. Doug Anthony, deputy Prime Minister, told Parliament he was "very concerned and disappointed" the U.S. Congress had not passed legislation to allow it to operate as a full member of the International Sugar Agreement.

Mr. Anthony said the U.S. failure to pass the legislation would not stop the sugar agreement from continuing, but it would not allow a proposed stocks financing fund to come into operation.

Starch makers want new deal

BY OUR COMMODITIES STAFF

COMMON MARKET maize processors want the Community to set up a new, long-term policy for the starch manufacturing and processing industry. This should allow it to escape the uncertainties of the ad hoc provisions which have been introduced from year to year since the grain price crisis of 1973-74.

The main change sought by the industry is a new scale of subsidies or refunds to help offset the Community's import levies on maize and to enable the grain processors to compete with the potato starch industry based largely in Holland, France and West Germany.

Mr. Richard Wright, chairman of the British Maize Starch and Glucose Manufacturers' Association, said yesterday that at current prices the existing refund on maize converted to starch was worth about £18 a tonne of finished product, compared with an import levy on grain maize worth about £70 a tonne in the same terms.

Because of this disparity the British starch industry was a net contributor to the EEC farm fund at the rate of about 100m units of account a year.

The proposal put to the Commission in the hope that it may be adopted at the price review negotiations next Spring suggests that "in normal conditions" the refund should equal the difference between the EEC threshold price for imported grain and the intervention price for Community produced maize.

At present values this would be worth about £25 a tonne of finished product.

Other starches, the maize grinders say, should benefit from equivalent refunds.

As things stand, Mr Wright said, potato starch producers have a £8 a tonne price advantage over maize processors.

Maize provides 70 per cent of all the Community's starch needs and the Community organisation —l'Association des Amidoneries du Maïs—which has taken up the question with the Brussels Commission, says that without a new policy product costs and prices will continue to rise.

The British £160m-a-year starch and glucose industry, which uses 930,000 tonnes of maize a year, is among the biggest in the EEC. Its output supplies a wide range of industries, with most of its products absorbed in the form of starch or glucose syrups in the food business.

Mr. Wright's organisation fears that pressure being applied on the Commission to phase out all refunds to starch refiners could lead eventually to stagnation and decline in the industry.

Wool sales trial soon

SYDNEY, Oct. 17.

A WOOL INDUSTRY group examining the feasibility of centralised selling has arranged for the Adelaide wool sale on November 22-23 to be held in Melbourne, chairman of the group Mr. J. J. Doohan, said here.

The group will also consider holding a Brisbane sale in Sydney.

Under the proposal, only certificates of objective measurement and samples will be required at point of sale.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Barely changed on balance the London Metal Exchange. Forward metal moved up to £773.5 on the pre-market reflecting the strength of the bullion price and covering against physical buying. However, this trend was reversed in the rings as profit-taking touched off stop-loss selling which depressed the price to £766. Values recovered modestly in the afternoon in line with Comex but then fell afresh on the late kerb with forward metal finally 7.5. Turnover 17,900 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	747-8	—62.5	749-50	—1.25
3 months	768.5-9	—6.5	770.5-1	—1.5
Settlem't	748	—6	—	......
Cathodes				
Cash	734.5-5	—7.5	737-.5	+.75
3 months	756-.5	—7	758.5-9	+1
Settlem't	735	—7.5	—	......
U.S. Prmt.	625	......	*69-71.025	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £747.5, three months £768, 67, 66, 67, 66.5, 67, 68, 68.5, 69, 68.5. Cathodes, cash £735, 34.5, three months £757.5, 57, 56. Kerb: Wirebars, three months £768.5, 69. Cathodes, three months £757. Afternoon: Wirebars, three months £769, 69.5, 70, 70.5, 71. Cathodes, three months £759. Kerb: Wirebars, three months £769.5, 69, 68, 67.5, 66, 67.5.

TIN—Marginally firmer for forward metal. The sharp rise in the Penang market saw forward metal marked up to £7,600 on the pre-market, but this trend was ...

SILVER

Silver was fixed 0.85p an ounce higher for spot delivery in the London bullion market yesterday at 298.85p. U.S. cent equivalents of the fixing levels were: spot 596.9c, up 7.6c; three-month 607.3c, up 7.8c; six-month 618.5c, up 7.5c; and 12-month 642.9c, up 7.9c. The metal opened at 298½-299½p (596½-598c) and rose to 299½-300½p (598-599½c) at the close.

RUBBER

STEADIER opening on the London physical market. Fair interest throughout the day, closing uncertain. Lewis and ...

tonnes, W. F. Tattersall reported. Expensive purchases were recorded in most qualities. There was widespread interest in American-type cotton.

MEAT/VEGETABLES

SMITHFIELD (pence per pound)—Beef: Scotch killed sides 53.0 to 37.0, Eire hindquarters 60.0 to 63.0, forequarters 35.0 to 38.0.

Veal: English fats 62.0 to 68.0, Dutch hinds and ends 83.0 to 88.0.

Lamb: English small 52.0 to 58.0, medium 52.0 to 56.0, heavy 48.0 to 52.0, Scotch medium 50.0 to 56.0, heavy 48.0 to ...

... per stone: Shelf cod £4.00-£5.30, codlings £2.50-£3.20. Large haddock £4.00-£4.50, medium haddock £3.60-£4.20, small haddock £2.50-£3.30. Large plaice £3.90-£4.70, medium plaice £3.90-£4.70, best small plaice £3.30-£3.90. Skinned dogfish (large) £7.00, (medium) £4.60. Lemon soles (large) £7.50, (medium) £6.50. Rockfish £3.70. Saithe £1.33-£1.70.

PRICE CHANGES

Price in tonnes unless otherwise stated.

MOODY'S

Moody's	Oct. 17	Oct. 16	Month ago	Year ago
Sple Commty	977.8	974.5	939.9	838.5

(December 31, 1931=100)

COMPANY NOTICES

U.S. Markets

Gold rises; Copper steady

NEW YORK, Oct. 17.

PRECIOUS metals closed higher with gold recording new life of contract highs on renewed speculative buying following the continuing weakness of the dollar. Copper closed steady on mixed trade and Commission House activity while sugar continued to ease on carryover speculative liquidation following yesterday's limit decline. Cocoa reversed its recent downward trend on Commission House shortcoverings and trade arbitrage buying, reports Bache.

Cocoa—Dec. 163.55 (162.80), March 163.73 (163.10), May 163.50, July 163.10, Sept. 162.00, Dec. 158.50. Sales, 1,024.

Coffee—Dec. 151.50-60 (143.70), March 143.00-50 (146.02), May 138.75, July 134.75, Sept. 133.75, Dec. 129.00-132.00, March 124.00-130.00. Sales, 616.

Copper—Oct. 66.90 (66.30), Nov. 67.20 (67.20), May 70.50, July 71.45, Sept. 72.25, Dec. 73.30, Jan. 73.70, March 74.45, May 75.25, July 76.00. Sales, 6,000 lots.

Cotton—No. 2: Dec. 68.01-68.10 (67.37), March 70.40-70.47 (69.72), May 71.55-71.65, July 71.90, Oct. 67.60-67.80, Dec. 66.80, March 67.70-68.00. Sales, 5,030 bales.

*Gold—Oct. 228.70 (227.10), Nov. 229.50 (228.00), Dec. 231.10, Feb. 234.60, April 238.50, June 242.30, Aug. 246.10, Oct. 249.90, Dec. 253.90, Feb. 257.90, April 262.10, June 266.30, Aug. 270.50. Sales, 20,000.

†Lard—Chicago loose 24.50 (24.37). NY prime steam 26.00 (traded).

‡Maize—Dec. 230½-229½ (232¼), March 239½-239½ (242½), May 246½-246½, July 250-250½, Sept. 253½-253, Dec. 259.

§Platinum—Jan. 337.90-338.80 (331.40), April 338.50-340.00 (332.50), July 339.50-341.00, Oct. 344.30-344.50, Jan. 345.00, April 349.50-349.90. Sales, 2,414.

§Silver—Oct. 592.70 (591.70), Nov. 594.70 (594.40), Dec. 598.70, Jan. 602.60, March 610.90, May 619.20, July 627.50, Sept. 636.60, Dec. 650.50, Jan. 655.00, March 664.40, May 673.90, July 683.50. Sales, 17,000. Handy and Harman spot bullion 594.00 (586.00).

Soyabeans—Nov. 688-690 (696), Jan. 696-695 (702), March 706-704½, May 706½-707½, July 707-707½, Aug. 699, Sept. 676-675½, May 665-664½.

Soyabean Oil—Oct. 26.80 (26.58), Dec. 26.10-26.15 (26.32), Jan. 25.85, March 25.60-25.55, May 25.25-25.35, July 25.05-25.00, Aug. 24.70-25.75, Sept. 24.20-24.30, Oct. 23.75-23.85.

||Soyabean Meal—Oct. 182.20 (183.60), Dec. 186.00-186.30 (187.50), Jan. 186.90-187.00, March 188.10, May 188.00-183.50, July 188.20, Aug. 186.00, Sept. 184.20-184.50, Oct. 182.00.

RISE IN INDIAN FOOD GRAINS

MADRAS, Oct. 17.

INDIA'S FOOD grains stock is now 17m tonnes, Mr. Surjit Singh Barnala, Agriculture Minister, said here. It comprises 11m tonnes of wheat and 6m tonnes of rice.

Reuter

VIETNAM PLANTS MORE RICE

BANGKOK, Oct. 17.

FARM WORKERS in Southern Vietnam are planting fresh rice crops in an effort to make up losses suffered in flooding over the last few weeks, Radio Hanoi said.

Reuter

STOCK EXCHANGE REPORT

Overnight technical rally extended despite Wall St fall

Marks & Spencer's excellent interim results aid movement

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Oct. 2	Oct. 12	Oct. 13	Oct. 24
Oct. 16	Oct. 26	Oct. 27	Nov. 7
Oct. 30	Nov. 9	Nov. 10	Nov. 21

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Stock markets yesterday staged a modest technical recovery despite worries about the current impasse on pay and fears connected with U.S. and domestic interest rate trends. Although business was slow, leading equities closed at the day's best while longer-dated British Funds regained Monday's falls and a little more.

The rally, which first became apparent late the previous evening, was not immediately resumed because of Wall Street's sharp overnight reaction. Sellers were in reticent mood, however, and occasional demand soon made its presence felt on leading industrials.

In the absence of any fresh economic pointers, the market was heartened by Marks and Spencer's excellent first-half profits and statement on dividend prospects. Trading announcements from other companies contributed to the better tone and the FT 30-share index, which began 1.6 easier at 493.0, closed a net 3.9 higher at 498.5.

Overall trade was curtailed by a disposition to await reports on yesterday's resumed talks between the Government and unions. The number of bargains marked fell to 4,582 as against 5,133 on Monday.

A more confident opening in the Gilt-edged sector proved premature and initial gains of ¼ among the longer maturities were lost before renewed investment demand coupled with bear-covering restored the firmness. Further progress during the day, which left final rises of ½, encouraged a steadier tendency in the shorts and the latter closed generally higher, after having been 3/16 lower in places.

Corporations were not too impressed but often gained a little ground, while small interest brought selected firmness to **Southern Rhodesian** bonds and the 6 per cent 1978/81 issue moved up 5 to £85.

Vague talk in the investment currency market of an imminent change in exchange control regulations sparked off fairly heavy institutional selling of the premium which fell away from an opening level of 78½ per cent to touch a day's low of 76 per cent, before closing 2½ down on balance at 76½ per cent. Yesterday's SE conversion factor was 0.7369 (0.7316).

Interest in the Traded Option market centred around **Marks and Spencer** following the encouraging interim statement. Of the overall total of 647 contracts completed, 157 were done in Marks and Spencer and prices of its October 70, and January 80, series jumped 4 to 17p and 3½ to 12p respectively.

Firmer conditions returned to the major clearing banks but the volume of business again left much to be desired. **Lloyds**, 260p, and **Midland**, 347p, gained 5 apiece, while **Barclays** added 4 to 342p and **NatWest** 2 to 270p. Merchant banks, however, continued dull with **Guinness Peat** down 5 more at 225p and **Hill Samuel**, a couple of pence off at 90p.

Business in Breweries was quieter and more selective and prices turned a shade harder. Revived speculative interest lifted **Amalgamated Distilled Products** 4 to 32p.

After a hesitant start, leading Buildings steadied and closed on a firm note. **Blue Circle** finished 4 up at 278p, while further consideration of the interim profits left **Rugby Portland** 2½ up at 79p. Satisfactory half-year returns lifted **Erith** 7 to a high for the year of 104p, and the mid-term return to profit prompted a gain of 2½ to 87½p in **Wettern Brothers**. Awaiting today's interim statement, **UBM** firmed 3 to 73p. With a bid, currently worth 79½p, already tabled by International **Bambergers** firmed 2½ to 80½p excited by counter-bid possibilities after news that Montague L. Meyer has been adding to its original stake in Bambergers.

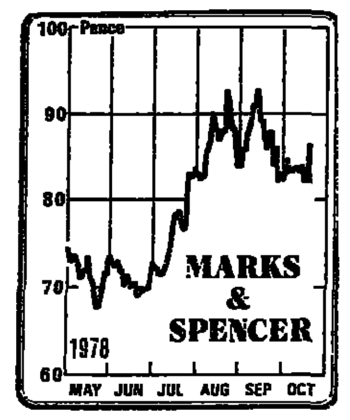
ICI recovered from a dull opening to close 4 up at 392p. Institutional demand lifted **Coalite and Chemical** 4 to 73p and, awaiting today's interim statement, **Farm Feed** gained a like amount to 72p for a two-day rise of 9.

Marks & Spencer good

Leading Stores were given a boost yesterday by the much better-than-expected first half profits from **Marks and Spencer** and the accompanying statement on dividend intentions; M and S closed 5 up at the day's best of 87p after an active trade. **British Home**, with interim results due today, gained 6 to 210p while **Gussies A** ended a similar amount dearer at 314p. **Burton** issues encountered renewed speculative support on revived bid hopes, the ordinary closing 5 higher at 183p and the A6 to the good at 173p. **House of Fraser** added 3 to 156p and **Mothercare** 2 to 170p: the latter's mid-term results are due next Monday. Secondary issues had scattered firm features. Small buying in a thin market prompted a rise of 9 to 127p in **Moss Bros**, 127p, while **Empire** added 7 to 182p and **Owen Owen** firmed 4 to 125p. **House of Lerose** improved 2 to 67p in response to an investment recommendation. Still benefiting from Press comment, **Wallis** appreciated 2 more to 88p while **Midland Educational** gained 5 afresh to 230p on hopes of another offer being made following its recent rejection of bids from Pentos and Lonsdale Universal.

Press comment highlighting the company's attractions created a fair amount of interest in **EMI** which closed 5 higher at 160p. Elsewhere in Electricals, **Racal** revived with an improvement of 7 to 332p. Other firm spots included **AB Electronic**, 8 to the good at 130p.

Apart from **Vickers**, 2 firmer at 186p, and **GKN**, a shade dearer at 266p, the Engineering leaders barely stirred from overnight closing levels. Elsewhere, **Birmingham Mint** continued to benefit from Press mention and put on 6 more to 136p, while **Spirax-Sarco** responded to the half-yearly results with a rise of 4 to 166p, but the sharp fall in annual profits left **Rains Engineering** 1½ off at 12p. Fresh demand was forthcoming for **Mining Supplies**, up 2 further at 108p, while **R. Cartwright** firmed 4 to 77p and **Desoutter** a similar amount to 130p. **Wm. Boulton**, up 1½ at 22½p, reflected satisfaction with the preliminary results. **Laird Group** closed a similar amount higher at a peak for the year of 103½p. Other bright spots included **United Engineering**, 3 up at 71p, and *Birmid, a few pence firmer* at 54½p. **W. G. Allen** were quoted ex scrip issue at 48p.



Brooke Bond finished 1½ harder at 49½p, after 50p, following the better-than-expected preliminary figures. Elsewhere in Foods, **Bejam** edged forward 2 to 61p on the optimistic tenor of the full report and revived speculative interest lifted **W. J. Pyke** 3 to 51p. **Tate and Lyle** hardened 2 to 174p on further consideration of the company's plans to sell off its South African investment in African Products to **Anglo American Industrial**; the latter fell another 30 to 500p. **Batleys of York** were raised 3 to 79p, while small selling in a thin market left **Lockwoods** 9 cheaper at 113p. **Louis C. Edwards**, at 15p, gave up 1½ of Monday's gain of 5 which followed a press suggestion of a forthcoming bid from Gulliver Foods.

M. F. North responded to substantially improved first-half profits with a rise of a penny to 25p. Other firm spots in the Hotel and Catering section included **Queen's Moat**, 1½ harder at 42½p, and **Prince of Wales**, 3 better at 72p.

Misc leaders improve

Miscellaneous Industrial leaders recovered from a dull start to close with improvements ranging to 10. **Reckitt and Colman** closed that much dearer at 505p, while **Metal Box**, 352p, and **Boots**, 202p, rose 6 and 5 respectively. **Beecham** rallied from 688p to finish 3 higher on balance at 693p and **Glaxo** also improved 3, to 573p, after 568p. **Turner and Newall** remained friendless at 174p, down 3. Elsewhere, **United Carriers** gained 4 to 99p on news of the higher interim profits and property revaluation and **Brook Street Bureau** improved 3 afresh to 88p on further consideration of the excellent first-half earnings and proposed 50 per cent scrip-issue. **Vinten** added 6 at 143p as did **BTR** to 348p. Profit-taking after the recent strong advance on earnings growth considerations brought about a fall of 18 to 330p in **Ricardo**, while mild disappointment with the interim results and a further decline in the investment currency premium brought about a fall of 10 to 252p in **Jardine Matheson**.

Interest in the Motor sectors failed to expand and the few resulting movements were mainly small and irregular. Among Garages and Distributors, **Tate of Leeds** revived with a rise of 4 to 75p, while **Pennine** hardened ½ to 11¾.

Yield considerations directed attention towards **Management Agency and Music** which firmed 5½ to 88½p.

Leading Properties closed steady to firm in a small turnover. **English** stood out at 40½p, up 2½ following late interest. **Regalian** firmed 6½ more to a high for the year of 24½p and **Dares** *Estates 2½ to 20p, both helped by* speculative activity following investment comment. Participation in the £10m industrial development in Birmingham stimulated a belated response in **Samuel** which added a couple of pence to 94p. **Centrovincial** issues found support, the ordinary improving 4 to 91p and the capital 5 to 90p. Other firm spots also included **Law Land**, 3 up at 49p, and **Town Centre**, 2 better at 75p.

BP give ground

Trade in the Oil sector was a little brisker than of late. U.S. selling left its mark on **British Petroleum** which eventually settled at 906p for a loss of 10, but occasional buying interest lifted **Shell** 4 to 574p. On the other hand, **Royal Dutch** were dull again in sympathy with the dollar premium and closed ¼ lower at £43¾. Outside the leaders, a late flurry of demand after the recent setback prompted a gain of 7 to 232p in **Ultramar**.

Jamaica Sugar featured with a reaction of 4 to 13p on further consideration of the details of the sale of the company's sugar *interests to the National Sugar* Company. Still reflecting the disappointing interim statement, **Steel Bros.** lost 15 to 200p for a two-day fall of 35.

Foreign and overseas-orientated issues lost ground on the sharp setback on Wall Street and on dollar-premium influences in a busier Investment Trust sector. **West Coast and Texas** eased 2½ to 74p, while losses of 1½ were seen in **American Trust**, 43½, and **City and Foreign Investment**, 73½p. UK issues, however, closed on a firm note. In Financials, **Edinburgh Industrial** lost 1½ to a 1978 low of 8p in belated response to the recently announced results.

Furness Withy figured prominently in Shippings, rising 7 to 241p despite the sharply reduced first-half profits.

Primrose, 5 cheaper at 47p, provided the only significant movement *in South Africans*.

Overnight consideration of the company's defence against the bid from Wm. Baird stimulated interest in **Dawson International** issues, the ordinary moving ahead to close 8 higher at 210p and the "A" rising 9 to 210p. **Wm. Baird** firmed 5 to 183p making the offer worth 202p per share; **J. Haggas** advanced 10 to 148p. Elsewhere in the Textile sector, **David Dixon** continued firmly at 110p, up 2, but news of the planned £9.8m purchase of a U.S. retailing concern had no apparent impact on **Tootal**, unaltered at 46½p. Among Tobaccos, **Siemssen Hunter** closed 2 lower at 61p following the half-yearly results.

Golds better

South African Golds staged a modest recovery in the wake of the firmer bullion price, which was finally $3.75 better at an all-time high of $228.125 per ounce in front of the U.S. Treasury gold auction.

The Gold Mines index, which had lost ground for the previous four trading days recovered 1.8 at 155.5.

Gains among heavyweights ranged to ½, as in **Randfontein** and **Western Holdings** at £31½ and £19½ respectively, while in the cheaper-priced issues **Elandsrand** rose 13 to 222p and **West Rand Consolidated** 6 to 140p.

South African Financials, however, were affected by the lower investment currency premium with falls of 4 common to **UC Investments**, 216p, and **De Beers**, 392p.

The better trend in UK equities coupled with the recent strength of base metal prices prompted a good demand for London-registered Financials, and particularly for **Rio Tinto-Zinc** which advanced to 262p before closing 6 firmer on balance at 259p.

The fall in the investment currency premium coupled with a further downturn in overnight Sydney and Melbourne markets caused widespread losses among Australians.

Continuing profit-taking lowered **Conzinc Riotinto** 8 more to 290p. Of the more speculative diamond issues, **Northern Mining** fell 6 to 104p and **Haoma Gold** 8 to 45p.

The reduced quarterly net profits from **MIM Holdings** saw the shares dip 5 to 197p. The record rise in the tin price on the London Metal Exchange on Monday prompted a fair London demand for Tin shares. **Geevor** advanced 10 to a 1978 high of 165p, **Southern Kinta** the same amount to 230p and **Gopeng Consolidated** 15 to 340p.

FINANCIAL TIMES STOCK INDICES

—	Oct. 17	Oct. 16	Oct. 13	Oct. 12	Oct. 11	Oct. 10	A year ago
Government Secs.	69.04	68.79	69.06	69.55	69.65	69.87	77.11
Fixed Interest	70.88	70.80	71.42	71.71	71.74	71.87	78.69
Industrial	498.5	494.6	496.2	505.8	504.2	509.3	513.1
Gold Mines	155.5	153.7	160.4	167.1	168.4	168.8	174.5
Ord. Div. Yield	5.41	5.44	5.42	5.33	5.35	5.29	5.27
Earnings, Y'ld % (full)(*)	15.01	15.08	15.04	14.79	14.83	14.69	15.61
P/E Ratio (net) (*†)	8.81	8.78	8.80	8.95	8.92	9.01	9.11
Dealings marked	4,582	5,133	4,940	4,353	4,852	4,835	5,280
Equity turnover £m	—	69.05	90.71	75.96	65.51	77.51	84.95
Equity bargains total	—	16,512	16,475	14,133	15,312	15,330	15,918

10 am 493.0. 11 am 496.2. Noon 497.2. 1 pm 497.8. 2 pm 498.3. 3 pm 499.4.

Latest Index 01-246 8026.

* Based on 52 per cent corporation tax. † Nil=9.98.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (6/1)	68.79 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	535.5 (14/9)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	206.6 (14/8)	130.3 (6/1)	442.3 (22/6/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Oct. 17	Oct. 16
—Daily		
Gilt-Edged	172.3	167.7
Industries	150.8	183.0
Speculative	45.6	42.0
Totals	104.3	116.8
5-day Average		
Gilt-Edged	164.2	163.1
Industrials	164.5	166.8
Speculative	44.3	43.3
Totals	108.6	109.8

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Oct. 10	Oct. 23	Jan. 11	Jan. 23
Oct. 24	Nov. 6	Jan. 25	Feb. 6
Nov. 7	Nov. 20	Feb. 8	Feb. 20

For rate indications see end of Share Information Service

Stocks favoured for the call were English Property, Shell Transport, BP, Hardy and Co. A, First National Finance 9½ per cent, W. L. Pawson, Consolidated Gold Fields, Cadbury Schweppes, Associated Leisure, Wheway Watson, Lonrho, and Grand Metropolitan, while doubles were arranged in English Property, Town and City Properties, Trafalgar House, Queen's Moat and Dunlop.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
BP	£1	12	906	−10	926	720
Marks & Spencer	25p	12	87	+5	94	67½
GUS A	25p	10	314	+6	340	256
Barclays Bank	£1	9	342	+4	368	296
Shell Transport	25p	9	574	+4	602	484
BAT Inds.	25p	8	290	—	346	267
ICI	£1	8	392	+4	421	328
Glaxo	50p	7	573	+3	648	515
Halma	£1	7	44	—	45½	20½
RTZ	25p	7	259	+6	263	164
Allied Breweries	25p	6	85	+1	94	73
Beecham	25p	6	693	+3	743	583
Burmah Oil	£1	6	75	—	89	42
Commercial Union	25p	6	138	+2	164	136
EMI	50p	6	160	+5	190	130

LONDON TRADED OPTIONS

Option	Ex'rcise price	October Closing offer	October Vol.	January Closing offer	January Vol.	April Closing offer	April Vol.	Equity close
BP	850	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	909p
BP	900	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
BP	950	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Cons Gold	160	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	179p
Cons Gold	180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Cons Gold	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Courtaulds	110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	121p
GEC	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	324p
GEC	330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GEC	360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Grand Met	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	110p
Grand Met	110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Grand Met	120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ICI	360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	391p
ICI	390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ICI	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ICI	460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Land Secs.	180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	231p
Land Secs.	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Marks & Sp.	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	87p
Marks & Sp.	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Marks & Sp.	90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Marks & Sp.	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Marks & Sp.	110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Shell	550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	575p
Shell	600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Totals		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
		November		February		May		
BOC Intl.	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	70p
Boots	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	120p
Boots	220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Boots	240	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Boots	260	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
EMI	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	159p
EMI	160	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
EMI	180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Imperial Gp.	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	82p
RTZ	220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	260p
RTZ	240	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
RTZ	260	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Totals		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

COMPANY NOTICES

RENOWN INCORPORATED

NOTICE TO EDR HOLDERS

On 12th September, 1978, the Board of Directors of the Company met and issued the following report:—

SEMI-ANNUAL BUSINESS RESULTS (Unaudited and on a consolidated basis)

	Six months ended June 30th Millions of Yen 1978	1977
Revenue:		
Net Sales	76,986	73,133
Other, Net	994	842
	77,980	73,975
Cost and Expenses:		
Cost of Sales	54,568	51,829
Selling, General and Administrative Expenses	18,795	17,313
Interest	511	630
	73,874	69,772
Income before Income Taxes	4,106	4,203
Income Taxes:		
Current	2,418	2,425
Deferred	65	85
	2,483	2,510
Income from Consolidated Operations	1,623	1,693
Equity Interest in Earnings of Associated Companies	293	199
Net Income	1,916	1,892
	Yen	
Per Share: Net Income	17.64	18.83

NOTE: It is not the policy of the Company to pay interim dividends. Accordingly, no dividend will be declared or payable for the Semi-annual period ended 30th June, 1978.

ROBERT FLEMING & CO. LIMITED, Depositary

London. 18th October, 1978.

LUXAM TRUST S.A.

[illegible]

PROVIDENT LIFE ASSOCIATION OF LONDON LIMITED

[illegible]

GRATTAN WAREHOUSES LIMITED

[illegible]

DAIWA SEIKO INC.

[illegible]

LEGAL NOTICES

No. 003246 of 1978

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matter of CADAC (LONDON) LIMITED and in the Matter of THE COMPANIES ACT, 1948.

[illegible]

PUBLIC NOTICES

WALSALL METROPOLITAN BOROUGH BILLS

[illegible]

CLASSIFIED ADVERTISEMENT RATES

[illegible]

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RESIDENTIAL PROPERTY

EXECUTIVE PIED A TERRE W.1.

[illegible]

BRECKER GROSMITH & CO. 01-486 3531

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (33)

BANKS (1)
Trade Development

BUILDINGS (1)
Erith

CHEMICALS (1)
Farm Feed

STORES (3)
Helene of London; Midland Educational; House of Lerose

ENGINEERING (6)
Birmingham Mint; Laird; Boulton (Wm.); Mining Supplies; Cartwright (R.); United Engineering

FOODS (2)
Batleys of Yorkshire; Pyke (W. J.)

HOTELS (1)
Prince of Wales

INDUSTRIALS (5)
Fothergill & Harvey; Sandhurst Mktg.; Hay (Norman); Stag Furniture; Restmor

PROPERTY (5)
Country & N. Town; Imry Prop.; Dares Ests.; Regalian; Ests. & Agency

TEXTILES (4)
Dawson Intl.; Dixon (David); Do. A; Haggas (J.)

RUBBERS (1)
Chersonese

MINES (3)
Mincorp; Hongkong Tin; Geevor

NEW LOWS (13)

CORPORATION LOANS (1)
Glasgow 9¼pc '80-82

BUILDINGS (2)
Higgs & Hill; Jennings

ELECTRICALS (1)
Motorola

ENGINEERING (1)
Sykes (Henry)

FOODS (3)
Bishop's Strs A; N-V Low (Wm.); British Vending

INDUSTRIALS (2)
Hanimex; Hill (Charles)

INSURANCE (1)
Heath (C. E.)

TEXTILES (1)
Courtaulds 7pc Deb. 1982-87

TRUSTS (1)
Edinburgh Ind.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	64	5	7
Corpns. Dom. and Foreign Bonds	16	7	39
Industrials	388	339	885
Financial and Prop.	69	141	303
Oils	5	11	20
Plantation	6	2	23
Mines	68	33	39
Recent Issues	8	8	21
Totals	544	546	1,337

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., Oct. 17, 1978 Index No.	Day's Change %	Est. Earnings Yield % (Max.) Corp. Tax 52%	Gross Div. Yield % (ACT at 33%)	Est. P/E Ratio (Net) Corp. Tax 52%	Mon., Oct. 16 Index No.	Fri., Oct. 13 Index No.	Thur., Oct. 12 Index No.	Wed., Oct. 11 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (171)	240.21	+0.4	16.09	5.21	8.54	239.21	241.02	246.05	245.91	216.34
2	Building Materials (27)	208.50	+1.0	16.86	5.43	8.17	206.51	208.51	211.96	210.62	204.98
3	Contracting, Construction (28)	371.01	+0.4	18.70	4.27	7.77	369.70	374.07	381.66	383.85	352.92
4	Electricals (14)	558.52	+0.1	12.98	3.32	10.65	557.95	560.24	578.36	580.58	473.88
5	Engineering Contractors (14)	375.65	+0.6	17.68	5.79	7.67	373.55	376.67	382.24	381.76	306.51
6	Mechanical Engineering (72)	189.32	+0.4	17.51	5.77	7.64	188.56	190.24	193.15	192.57	165.39
8	Metals and Metal Forming (16)	167.64	+0.4	15.93	8.49	8.69	167.01	167.90	170.78	170.42	159.94
11	CONSUMER GOODS (DURABLE) (53)	214.08	+0.3	16.04	4.96	8.71	213.42	215.44	218.70	218.26	207.87
12	Lt. Electronics, Radio, TV (16)	262.68	+0.5	14.01	3.89	10.01	261.33	264.38	269.31	269.17	253.90
13	Household Goods (12)	184.96	−0.4	16.10	6.12	8.55	185.70	187.36	188.40	187.78	189.68
14	Motors and Distributors (25)	128.02	+0.1	19.39	6.47	7.18	127.85	128.60	130.10	129.54	123.62
21	CONSUMER GOODS (NON-DURABLE) (172)	214.14	+1.2	15.42	5.76	8.73	211.63	213.73	217.78	217.28	206.76
22	Breweries (14)	229.45	+1.1	14.60	6.18	9.42	227.05	229.56	233.40	232.13	218.36
23	Wines and Spirits (6)	278.84	+0.8	15.27	5.16	9.77	276.57	280.67	287.55	286.59	242.70
24	Entertainment, Catering (17)	268.14	+0.9	13.56	6.50	10.76	265.84	267.50	272.62	272.44	258.15
25	Food Manufacturing (19)	208.30	+0.5	18.58	5.20	7.13	207.20	208.06	211.96	211.58	209.67
26	Food Retailing (15)	229.12	+1.4	13.16	4.49	10.58	226.02	228.20	232.55	232.73	231.27
32	Newspapers, Publishing (12)	393.01	−0.1	19.45	6.16	7.22	393.23	395.90	398.53	396.69	342.76
33	Packaging and Paper (15)	145.62	+0.5	17.69	7.36	7.45	144.86	146.66	148.51	148.62	138.10
34	Stores (40)	203.13	+2.6	10.88	4.49	13.39	198.08	200.09	205.81	204.08	195.98
35	Textiles (25)	184.44	+0.5	18.05	7.88	7.19	183.55	184.72	188.22	186.58	177.91
36	Tobaccos (3)	236.32	—	23.30	7.93	5.08	236.32	240.39	242.56	244.16	235.13
37	Toys and Games (6)	111.17	−0.2	20.39	5.78	5.73	111.34	114.07	116.20	116.56	108.16
41	OTHER GROUPS (99)	208.44	+0.7	15.05	5.85	8.56	207.05	208.65	211.46	211.62	204.04
42	Chemicals (19)	295.69	+0.9	15.54	6.41	8.37	293.13	294.16	296.71	296.66	280.66
43	Pharmaceutical Products (7)	268.53	+0.7	10.61	3.86	11.56	266.68	267.57	269.97	270.80	0.00
44	Office Equipment (6)	134.96	−0.8	18.00	5.63	6.62	136.04	135.97	139.95	140.18	132.30
45	Shipping (10)	422.47	+1.2	14.71	7.22	8.68	417.48	417.93	423.95	424.68	490.50
46	Miscellaneous (57)	223.36	+0.7	16.83	6.31	7.98	221.91	225.82	229.84	229.82	209.16
49	INDUSTRIAL GROUP (495)	226.33	+0.8	15.55	5.58	8.64	224.54	226.49	230.53	230.28	215.75
51	Oils (5)	510.53	−0.2	13.69	3.94	7.93	511.72	514.30	517.85	514.75	510.46
59	500 SHARE INDEX	250.09	+0.6	15.27	5.33	8.53	248.50	250.53	254.58	254.12	240.11
61	FINANCIAL GROUP (100)	164.36	+0.8	—	5.92	—	163.08	164.78	166.79	167.04	174.84
62	Banks (6)	187.20	+1.2	24.97	6.26	6.01	185.07	186.27	186.59	186.17	183.01
63	Discount Houses (10)	206.55	—	—	8.37	—	206.55	207.66	209.14	208.99	229.10
64	Hire Purchase (5)	153.78	+1.2	15.84	5.36	8.33	151.98	152.62	155.48	156.69	189.99
65	Insurance (Life) (10)	130.52	+1.6	—	7.20	—	128.42	131.45	135.21	136.01	151.86
66	Insurance (Composite) (7)	121.12	+1.0	—	7.24	—	119.91	121.32	123.64	124.25	151.01
67	Insurance Brokers (10)	328.64	+0.5	14.44	5.04	9.91	327.15	332.80	337.54	342.34	330.68
68	Merchant Banks (14)	80.57	−1.0	—	6.04	—	81.35	82.44	83.04	83.46	91.90
69	Property (31)	258.32	+0.3	3.34	2.84	51.43	257.66	259.25	262.18	260.56	231.63
70	Miscellaneous (7)	108.46	−0.2	23.28	7.70	5.56	108.68	109.15	109.64	109.59	107.20
71	Investment Trusts (50)	219.56	−0.3	3.17	4.73	31.52	220.33	222.07	224.15	223.98	197.20
81	Mining Finance (4)	110.97	+1.7	16.45	6.42	7.41	109.12	112.28	114.08	112.62	103.28
91	Overseas Traders (19)	322.85	—	15.09	7.12	8.30	322.96	324.75	328.46	329.05	286.26
99	ALL-SHARE INDEX (673)	227.92	+0.6	—	5.46	—	226.51	228.51	231.97	231.65	221.36

FIXED INTEREST PRICE INDICES

	British Government	Tues., Oct. 17	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	103.60	+0.07	0.22	7.60
2	5-15 years	113.26	+0.42	—	7.61
3	Over 15 years	116.69	+0.51	0.53	12.26
4	Irredeemables	126.12	+0.77	—	9.02
5	All stocks	110.55	+0.33	0.29	9.35

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Tues., Oct. 17	Mon., Oct. 16	Year ago (approx.)
1	Low Coupons	5 years	9.22	9.25	6.25
2		15 years	11.23	11.30	9.46
3		25 years	12.09	12.16	10.27
4	Medium Coupons	5 years	12.26	12.31	8.85
5		15 years	12.46	12.52	10.28
6		25 years	12.46	12.52	10.54
7	High Coupons	5 years	12.31	12.36	9.11
8		15 years	13.03	13.10	11.24
9		25 years	13.15	13.22	11.30
10	Irredeemables		11.85	11.94	10.31

		Tuesday, Oct. 17 Index No.	Tuesday, Oct. 17 Yield %	Monday Oct. 16	Fri. Oct. 13	Thurs. Oct. 12	Wed. Oct. 11	Tues. Oct. 10	Mon. Oct. 9	Friday Oct. 6	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	56.69	13.09	56.70	57.25	57.24	57.65	57.70	57.70	57.72	62.15
16	Investment Trust Prefs. (15)	51.22	13.62	51.22	51.52	51.55	51.65	51.74	51.74	[illegible]	56.71
17	Coml. and Indl. Prefs. (20)	72.00	12.98	71.78	71.63	71.60	71.40	71.39	71.39	71.57	78.44

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 22p.

حملة امنة الأجل

AUTHORISED UNIT TRUSTS

M & G Group♥ (y)(c)(z)

Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588

See also Stock Exchange Dealings.

American	50.2	53.5	−1.2	2.00
(Accum. Units)	51.5	54.8	−1.2	2.00
Australasian	54.9	58.5	−0.4	1.68
(Accum. Units)	56.2	59.8	−0.4	1.68
Commodity	79.6	84.8	−1.0	4.63
(Accum. Units)	86.9	92.6	−1.1	4.63
Compound Growth	115.6	125.4	−1.1	3.68
Conversion Growth	68.9	73.4	−1.0	2.84
Conversion Inc.	70.9	75.5	−0.5	7.85
Dividend	125.6	136.3	−1.0	7.65
(Accum. Units)	238.2	258.4	−1.9	7.65
European	53.3	56.8	−0.4	3.35
(Accum. Units)	54.6	58.1	−0.4	3.33
Extra Yield	89.8	95.6xd	−0.8	8.09
(Accum. Units)	123.5	131.5	−1.0	8.09
Far Eastern	59.2	63.1	−0.1	2.39
(Accum. Units)	64.5	69.7	−0.1	2.39
Fund of Inv. Tsts.	66.5	70.8	−0.3	4.56
(Accum. Units)	81.3	86.6	−0.4	4.66
General	178.5	193.7	−1.2	5.62
(Accum. Units)	277.7	301.5	−2.1	5.62
High Income	111.0	118.2	−0.8	8.09
(Accum. Units)	186.8	198.9	−1.4	8.09
Japan	181.2	193.0	+1.1	2.12
(Accum. Units)	182.9	194.8	+1.2	2.12
Magnum	218.3	234.7	−2.1	4.12
(Accum. Units)	275.5	296.2	−2.6	4.12
Midland	187.0	199.1xd	−1.2	6.41
(Accum. Units)	317.0	337.6	−2.0	6.41
Recovery	90.1	96.0	−0.5	3.87
(Accum. Units)	93.1	99.1	−0.4	3.87
Second Gen.	183.8	199.4	−1.5	4.85
(Accum. Units)	279.2	302.9	−2.2	4.85
Smaller Cos.	177.1	190.4	−1.3	3.98
(Accum. Units)	225.3	242.2	−1.7	3.98
Specialised Funds				
Trustee	156.3	164.9xd	−1.2	6.28
(Accum. Units)	306.9	323.8	−2.0	6.28
Charibond Oct. 10	109.8		...	10.89
Charifd. Oct. 17	155.2	157.5	−1.9	7.63
(Accum. Units)	195.7	198.6	−2.3	7.63
Pens. Ex. Oct. 18	148.4	156.6	...	5.54

ManuLife Management Ltd.

St. George's Way, Stevenage. 0438 56101

Growth Units	57	60.0	...	4.24

Midland Bank Group Unit Trust Managers Ltd.♥ (a)

Courtwood House, Silver Street, Head. Sheffield, S1 3RD. Tel. 0742 79842

Commodity & Gen.	72.3	77.8	+0.3	5.03
Do. Accum.	83.2	89.6	+0.4	5.03
Growth	36.8	39.6	−0.3	2.88
Do. Accum.	39.5	42.5	−0.3	2.88
Capital	27.8	29.9	−0.2	3.18
Do. Accum.	30.4	32.7	−0.2	3.18
Income	53.4	57.5	+0.2	6.52
Do. Accum.	62.3	67.1	+0.3	6.52
International	45.7	49.4	−0.6	2.38
Do. Accum.	48.8	52.6	−0.6	2.38
High Yield	63.7	68.6xd	+0.1	8.23
Do. Accum.	69.6	74.9	+0.1	8.23
Equity Exempt*	104.7xd	110.5	...	5.63
Do. Accum.*	104.7xd	110.5	...	5.63

*Prices at Sept. 29. Next dealing Oct. 31.

CORAL INDEX: Close 498-503

INSURANCE BASE RATES

†Property Growth 10¼%

†Vanbrugh Guaranteed 10.25%

†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

Hill-Samuel & Co. (Guernsey) Ltd.

8 LeFebvre St., Peter Port Guernsey, C.I.

Guernsey Tst.	154.6	155.7		3.58

Hill Samuel Overseas Fund S.A.

37, Rue Notre-Dame, Luxembourg

	$US18.34	21.15	−0.41	—

International Pacific Inv. Mngt. Ltd.

PO Box R237, 56, Pitt St. Sydney, Aust.

Javelin Equity Tst.	$A2.43	2.55		—

J.E.T. Managers (Jersey) Ltd.

PO Box 194, Royal Tst. Hse., Jersey 0534 27441

Jersey Extrnl. Tst.	191.0	204.0		—

As at Sept. 29. Next sub. day Oct. 31.

Jardine Fleming & Co. Ltd.

46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	HK$353.70	...	2.00
Jardine J'pn. Fd.*	HK$412.61	...	0.80
Jardine S.E.A.	$US19.74	...	1.80
Jardine Flem. Int.	HK$12.48	...	—
Intl. Pac. Secs. (Inc.)	HK$14.75	...	—
Do. (Accum.)	HK$14.90	...	—

NAV Sept. 30. *Equivalent $US87.21. Next sub. Oct. 13

United States Tst. Intl. Adv. Co.

14, Rue Aldringer, Luxembourg.

U.S. Tst. Inv. Fnd.	$US11.15	−0.21	0.90

Net assets October 16.

S. G. Warburg & Co. Ltd.

30, Gresham Street, EC2. 01-600 4555

Conv. Bd. Oct. 16	$US9.75			—
Eng. Int. Oct. 16	$US18.58		−0.25	—
Gr. St. $Fd. Aug. 31	$US7.58		...	—
Merc. Ebd. Oct. 11	$US9.47	19.58	...	0.0062
Merc. Mny. Mkt. Oct. 16	£10.04	10.05	...	—

Warburg Invest. Mngt. Jrsy. Ltd.

1, Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd. Sept. 28	$US3.39	14.22	...	—
CMT Ltd. Sept. 28	£14.39	14.76	...	—
Metals Tst. Sept. 21	£12.38	12.66	...	—
TMT Oct. 12	$US13.9	11.60	...	—
TMT Ltd. Oct. 12	£11.11	11.40	...	—

World Wide Growth Management♦

10a, Boulevard Royal, Luxembourg

Worldwide Gth. Fd.	$US16.67	−0.11	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

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Financial

FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
24	17	Antofagasta Rly.	24	......	—	—
41	35	Do 5pc Pref.	41	......	—	—
98	98	Chilean Mixed	98	......	—	£3.09
415	350	German Yng. 4½pc.	411	......	4½	—
54	46	Greek 7pc Ass.	52	......	3½	£6.94
51	46	Do 6pc 28 Stab. Ass.	50	......	6	£6.07
44	40	Do 4pc Mixed Ass.	42	......	4	£4.83

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 35⅞% (based on US$1.9961 per £)
Conversion factor 0.7369 (0.7316)

CANADIANS

S.E. List Premium 35⅞% (based on $2.3647 per £)

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CENTRAL RAND

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FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Yld Gr's
210	155	Falcon Rh.50c	168	......	Q60c	ϕ	21.7
24	15	Rhod'n Corp. 16⅔p.	17	......	0.57	7.1	5.0
80	52	Roan Cons. K4	75	......	—	—	—
41	32	Wankie Col. Rh.1	33xd	......	Q9c	ϕ	16.3
17½	10	Zam.Cpr.SBD0.24	16	......	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Yld Gr's
15	10	Acmex 25c	10	......	—	—	—
140	64	Bougainville 50 Toea	129	......	†Q8c	1.4	3.9
131	63	BH South 50c	121	−1	—	—	—
820	150	Central Pacific	450	−25	—	—	—
336	148	Conzinc Riotinto 50c	290	−8	‡Q10c	2.2	‡
27	9½	Endeavour 20c	22½	−1	—	—	—
72	45	G.M. Kalgoorlie $1	66	−2	—	—	—
68	18	Hampton Gold N.L.	45	−3	—	—	—
140	81	Hampton Areas 5p	125	......	t3.55	2.0	4.2
49	19	Metal Ex. 50c	30	−5	—	—	—
223	125	M.I.M. Hldgs. 50c	197xd	−5	Q9c	1.7	2.8
39	10	Mount Lyell 25c	34		—	—	—
7	1½	Newmetal 10c	6½		—	—	—
145	79	North B. Hill 50c	115		Q8c	1.3	4.4
16½	8½	Nth. Kalgurli	14½		—	—	—
50	12	Nth. West Mining	29	−1	—	—	—
173	117	Oakbridge $A1	133	−2	†Q11c	1.9	5.2
42	10	††Otter N.L.	26		—	—	—
70	30	Pacific Copper	64	−4	—	—	—
£15½	750	Pancont'l 25c	950	+25	—	—	—
40	12	Paringa M&Ex 5p	27	−1	—	—	—
570	310	Peko-Wallsend 50c	470	−8	Q15c	ϕ	2.0
300	50	Southern Pacific	175	−5	—	—	—
164	84	Western Mining 50c	139	−3	Q3c	0.7	‡
70	35	Whim Creek 20c	55	−5	—	—	—

TINS

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Yld Gr's
30	23	Amal. Nigeria	24	...	2.81	1.3	17.4
420	240	Ayer Hitam SM1	340	+5	Q300c	0.5	19.0
60	45	Beralt Tin	53	+2	t4.0	4.4	11.8
305	200	Berjuntai SM1	295	+5	Q110c	ϕ	9.6
165	111	Geevor	165	+10	5.04	5.8	4.6
10½	8½	Gold & Base 12½p	10½	......	—	—	—
340	220	Gopeng Cons.	340	+15	15.23	0.9	6.8
235	130	Hongkong	235	+5	—	—	—
93	78	Idris 10p	90	......	‡12.0	1.6	‡
11	7	Jantar 12½p	8½	+½	—	—	—
84	68	Kamunting SM0.50	76	+2	Q12½c	2.1	3.5
640	450	Killinghall	640	+10	Q125	ϕ	19.6
470	280	Malay Dredging SM1	440	+5	†Q95c	0.8	4.6
78	40	♦Pahang	61	+1	‡Q3.75c	0.5	‡
78	50	Pengkalen 10p	75	+1	6.60	1.3	13.1
270	165	Petaling SM1	250	+5	†Q80c	1.6	7.3
77	49	Saint Piran	76	......	2.03	6.5	4.0
67	47	South Crofty 10p	65	−1	4.19	2.0	9.5
245	140	South Kinta SM0.50	230	+10	sQ145c	0.6	13.5
340	230	Sthn Malayan SM1	315	+5	‡Q131.3c	1.1	9.0
240	134	Sungei Besi SM1	210	+5	Q65c	5.3	6.6
85	55	Supreme Corp. SM1	72	+2	ZQ10c	—	5.0
100	85	Tanjong 15p	90	+2	6.60	0.8	10.9
100	74	Tongkah Hrbr. SM1	90	......	‡Q50c	1.5	‡
270	148	Tronoh SM1	230	+5	‡Q88c	1.6	‡

COPPER

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Yld Gr's
104	70	Messina R0.50	74	......	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Yld Gr's
68	35	Barymin	57	......	—	—	—
17	9	Burma Mines 17½p	14	+1	—	—	—
300	215	Cons. Murch. 10c	245	......	‡Q30c	2.6	‡
465	245	Northgate C$1	375	−25	—	—	—
263	164	R.T.Z.	259	+6	9.5	2.8	5.6
90	30	Sabina Inds. C$1	55	−1	—	—	—
£12	750	Tara Exptn. $1	887	+12	—	—	—
82	43	Tehidy Minerals 10p	80	−2	♦1.35	ϕ	2.5
165	120	Yukon Cons. C$1	155	......	Q7c	2.9	2.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- △ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ‖ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✣ Regional price.
- ‖ No par value

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 40

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	
Ash Spinning	49	
Bertam	17	
Bdg'wtr. Est. 50p	330	
Clover Croft	26	
Craig & Rose £1	520	
Dyson (R. A.) A.	37	
Ellis & McHdy	67	
Evered	27	
Fife Forge	52	
Finlay Pkg. 5p	21xd	
Graig Ship £1	140	
Higsons Brew.	77	−1
I.O.M. Stm. £1	172	
Holt (Jos.) 25p	256	−2
N'thn. Goldsmith	66	−1
Pearce (C. H.)	190	
Peel Mills	21	
Sheffield Brick	56xd	
Sheff. Refrshmt.	63	......
Sindall (Wm.)	107	......

IRISH

Conv. 9% '80/82	£90⅞	−⅛
Alliance Gas	84xd	......
Arnott	365	+5
Carroll (P.J.)	95	......
Clondalkin	88xd	+4½
Concrete Prods.	130	......
Heiton (Hldgs.)	48	......
Ins. Corp.	190	+10
Irish Ropes	100	......
Jacob	58½xd	......
Sunbeam	33	......
T.M.G.	200	......
Unidare	85	......

OPTIONS
3-month Call Rates

Industrials		I.C.I.	20	Tube Invest.	30
A. Brew	6½	"Imps"	6	Unilever	35
A.P. Cement	18	I.C.L.	20	Utd. Drapery	7½
B.S.R.	9	Inveresk	8	Vickers	15
Babcock	11	KCA	3	Woolworths	5
Barclays Bank	25	Ladbroke	17		
Beecham	35	Legal & Gen.	14	**Property**	
Boots Drug	15	Lex Service	7	Brit. Land	3¾
Bowaters	16	Lloyds Bank	22	Cap. Counties	4½
B.A.T.	24	"Lofs"	4	E.P.	5
British Oxygen	6	London Brick	5	Intreuropean	4
Brown (J.)	20	Lonrho	5	Land Secs.	16
Burton 'A'	12	Lucas Inds.	25	MEPC	12
Cadburys	5	Lyons (J.)	10	Peachey	8
Courtaulds	10	"Mams"	7	Samuel Props.	9
Debenhams	8	Mrks & Spncr	10	Town & City	1¼
Distillers	15	Midland Bank	25		
Dunlop	7	N.E.I.	12	**Oils**	
Eagle Star	11	Nat. West. Bank	22		
E.M.I.	14	Do Warrants	10	Brit. Petroleum	45
Gen. Accident	17	P & O Dfd.	8	Burmah Oil	5
Gen. Electric	18	Plessey	8	Charterhall	3
Glaxo	40	R.H.M.	5	Shell	28
Grand Met.	9	Rank Org. 'A'	18	Ultramar	20
G.U.S. 'A'	20	Reed Intnl.	12		
Guardian	18	Spillers	3	**Mines**	
G.K.N.	22	Tesco	4	Charter Cons.	12
Hawker Sidd.	20	Thorn	22	Cons. Gold	14
House of Fraser	12	Trust Houses	15	Rio T. Zinc	16

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Wednesday October 18 1978

State may change its link with BP

BY KEVIN DONE, ENERGY CORRESPONDENT

THE DEPARTMENT of Energy is believed to be deeply unhappy about the Government's relationship with British Petroleum and it is likely that some Ministers will seek changes in the way contacts are conducted at board level.

Earlier this month Mr. Anthony Wedgwood Benn, the Energy Secretary, gave the backing of the Labour Party national executive committee to a policy statement demanding that British Petroleum and its subsidiaries *should be fully nationalised.*

The call came after the publication of the Bingham Inquiry report, which revealed BP's role in breaking oil sanctions against Rhodesia. The report, which also showed that Cabinet Ministers in the Wilson Government knew of the sanctions breaking is proving a considerable embarrassment for the Labour Party.

The question of relations with BP have not yet been discussed by the Cabinet, however, and any moves toward full nationalisation *are thought to be unlikely.*

But it is understood that some Ministers, including Mr. Benn, feel that Government policy on a number of issues has been undermined by the company.

It is *felt in* Whitehall that BP has proved the most difficult to deal with of all the oil companies operating in the North Sea.

The Government appoints two directors to the board of BP—it is at *present represented by* Mr. Tom Jackson and Lord Greenhill—and the company is supposed to consult with the Government when matters of important national interest arise.

The Department of Energy feels it has failed to do this on several occasions. For example the DoE was not told about BP's proposed £210m deal to acquire a major part of Vebar, the West German energy company, until 24 hours before the deal was announced.

It is *understood that the* Department holds BP responsible for undermining the Government's policy on oil refining in the EEC. Government opposition to proposals from the EEC Commission for a cut in the refinery capacity was not supported by BP, which favoured the EEC line.

In other instances, BP is held to have gone behind the Government's back in dealing with France over exploration concessions in the South Western *Approaches — without* Government authority—and it caused considerable embarrassment when it admitted last year that it had paid more than £1.3m to overseas political parties.

It is understood that Ministers are now determined that BP should at least abide by the agreement — made when the Government bought its majority stake in 1914—to consult White*hall on matters of international* interest.

They will examine how far the present system of two state appointed directors—they have veto power, but this is thought never to have been exercised—can meet the requirements of consultation.

It is likely that the Department of Energy will question whether BP should continue to report to the Treasury rather than directly to itself.

● Mr. Benn said yesterday that the UK Government *was seeking* to establish formal contacts with the Organisation of Petroleum Exporting Countries.

As the 13th largest oil producer in the world, the UK should develop "loose links" with OPEC, he said. An announcement could be expected in the New Year.

The U.K. was in a remarkable position to increase its influence both as an oil-producing nation and as a member of groupings of oil-consuming nations such as the International Energy Agency and the EEC.

The UK is clearly following other non-OPEC members, such as Norway, in wishing to cement firmer ties with the oil-producing nations, especially on questions of long-term energy strategy.

BP chief's bid to best fund crisis, Page 11

Mitsubishi to make engines for Chrysler

BY JOHN WYLES — NEW YORK, Oct. 17.

CHRYSLER CORPORATION has agreed on an important expansion of its links with Japan's Mitsubishi Motors, which will begin supplying the U.S. company with 200,000 four-cylinder engines a year from 1980.

That emerged from last week's regular autumn meeting between executives of the two companies, which have been co-operating closely since Chrysler acquired a 15 per cent stake in Mitsubishi in 1971.

The Detroit gathering was their first detailed review since Chrysler announced the sale of its European operations to Peugeot-Citroen in August. In the agreement, Chrysler will receive a 15 per cent stake in the European company.

In a joint statement today, Chrysler and Mitsubishi said they were exploiting other "co-operative endeavours" in addition to the engine agrement. Chrysler would not elaborate. A spokesman denied knowning whether Peugeot-Citroen had been approached as a possible supplier of engines.

The value of the supply agreement with Mitsubishi has not been disclosed, but it will run for five years and is bound to intrigue Detroit. Chrysler is expanding its engine plant at Trenton, Michigan, to produce four-cylinder engines of its own, and has a supply agreement with Volkswagen, which is to sell Chrysler 300,000 four-cylinder engine blocks a year until at least 1980.

The company said that the Mitsubishi deal would supplement, not replace the Volkswagen arrangement.

Fuel economy

All U.S. car companies are having to prouce smaller engines to comply with increasingly stringent fuel economy regulations. By looking for overseas supplies, Chrysler is acknowledging that its overstretched capital investment resources will not cover self-sufficiency in engine production, at least for the first half of the next decade.

Since it first took a stake in Mitsubishi, Chrysler has been steadily increasing the number of Mitsubishi cars and trucks imported into the U.S. and marketed with its Dodge and Plymouth badges. In the model year ending last month, some 98,000 units had been sold.

THE LEX COLUMN

The consumer boom reaches Marks

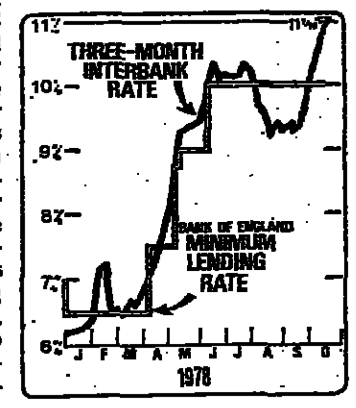
Marks and Spencer's interim figures are impressive. Group sales are up 19 per cent to £688m, but pre-tax profits leap a full 40 per cent to just short of £73m. To cap it all, M and S is forecasting continued good progress for the rest of the year — while the dividend looks like increasing by as much as 33 per cent under the cover rule. Marks has already had discussions with the Treasury on how the previous highest dividend cover should be established and the message appears to be that exceptional (non-trading) items should be excluded in making the calculation. In addition, M and S has been allowed to use SSAP 15 (ED 19) for setting notional tax charges for previous years.

In the UK, both clothing and food sales show increases of around 22 per cent; the pre-tax profit is 38 per cent better at £76.3m. On the clothing side this reflects volume gains of around 14 per cent, while food volume is probably 10 per cent up. M and S attributes a significant part of this improvement to trading up to higher value items.

The news is also a little better on the overseas front. In Europe, Marks has tackled the Lyons store losses by halving the size of the branch. So if reorganisation and pre-opening costs are excluded Europe as a whole traded at a profit (about £½m) for the first time this period. Reconstruction (and an acceptance that the group had made the wrong decision in buying in to town-centre shops) has been the name of the game in Canada too. There M and S has been closing down the unprofitable stores, and opening new units in out-of-town locations. Again, excluding exceptional costs, the underlying position has improved to leave losses of possibly £2m

The interim profit has been arrived at after taking in half of a £1.9m pension charge, but *before whatever amount M and S* decides to allocate to employee profit-sharing. Taking everything into account however, the group is capable of making £160m, or more, pre-tax for the year. At 87p the shares trade on a prospective p.e. of about 12, on a 46 per cent tax charge.

Index rose 3.9 to 498.5



Brooke Bond Liebig

If you believe in historical cost accounting you will accept that Brooke Bond Liebig's pre-tax profits from trading fell *nearly £8m last year to £41.7m* (ahead of a £3m profit on property disposals). If you go for current cost accounting, however, you will prefer to believe that real profits improved by over £30m and actually exceeded the HC figure, with the three Hyde adjustments summing to a small positive total for 1977-78 against the massive £39m net deduction for the previous year.

This reflects, of course, the sharp fall in tea and coffee prices during the year, leading to an agonising reversal of previous overstocking by customers—ex factory tea volume in the UK dropped by 15 per cent, taking the year as a whole (and was still worse until the final quarter). The entire drop in group nominal profits was attributable to the UK. *Plantation profits held up,* however, with better volume partly offsetting lower prices, while it also helped that several plantation companies are consolidated six months in arrears. Elsewhere abroad, North America was hit for much the same reasons as the UK, but Europe improved thanks largely to a turnround to profits in France.

Unless the tea price now picks up smartly, plantation profits will be well down in the current year. However, in the past couple of months UK tea volume has at last returned to normal, and it may be that the group's overall profits can be held close to the 1977-78 level. The big attraction of the shares at 49½p remains the yield of 9.7 per cent, now backed by a greatly improved cash flow. The uncertainty lies in how BBL will seek to move into stronger growth areas.

Furness Withy

Furness Withy's interim pre-tax profits have slumped from £13.3m to £5.7m. But given that the combined profits of P and O and Ocean Transport for the same period amounted to just just £3.4m, FW appears to be riding the shipping slump better than most and, unlike the other two, feels sufficiently confident to increase its interim dividend. Last night the shares closed 7p higher at 241p where they yield a prospective 5.6 per cent.

FW has never been considered one of the high fliers of the shipping industry but its conservative approach is now *clearly paying off. Unlike* Ocean Transport and P and O it is in the fortunate position of not being overexposed to any one sector such as bulk shipping or LPG carriers. In addition, its liner operations have held up much better than those of most of its competitors.

The group's associated company profits have fallen by £4m in the first half (reflecting sharp *setbacks at Kingsnorth Drilling* and to a lesser extent OCL) and pre-tax profits for the full year look like being of the order of £11m-£12m, against £20.7m.

FW sees the shipping slump *continuing for "several years"* but is happy to sit it out until better times return and with its capital spending tailing off sharply, is not suffering from any particular balance-sheet pressures. All of which explains why it would make an ideal takeover target for a group such as European Ferries which would like to diversify from its narrow base in the cross-Channel ferry business. However, as these results show, FW is no sitting duck.

West seeks compromise of two Namibia polls

BY QUENTIN PEEL — PRETORIA, Oct. 17.

COMPROMISE plans to hold two elections in Namibia (South-West Africa) are being considered by Western nations in a bid to find an internationally-acceptable settlement.

Talks between the South African Government and Western Foreign Ministers, including Mr. Cyrus Vance, the U.S. Secretary of State, continued for a second day in conditions of strict official secrecy. The South African Cabinet met for its regular weekly meeting to consider progress in the talks.

This was followed by a lunch hosted by the five Western Ministers, when guests included Mr. P. W. Botha, South Africa's Prime Minister. Later Mr. Pik Botha, the Foreign Minister, was expected to present South Africa's counter-proposals to the compromise plan.

According to diplomats, the Western plan is to allow the unilateral South African elections to go ahead in December, but with no international status or recognition, provided South Africa commits itself to a subsequent unsupervised poll, possibly in June next year.

The plan would also require South Africa to invite Mr. Martti Ahtisaari, the UN special representative for Namibia, to return in the near future for further discussions on the UN peace-keeping and police monitoring *forces in the territory.*

It is understood that the Western plan has been drafted in the form of a joint announcement, which would state that agreement could be reached over the role of troops and police, *although the two sides would* agree to differ on the status of the December elections.

It remains questionable whether the South African Government can bring itself to a firm commitment to the sub*sequent UN-supervised elections,* and whether such a compromise, with the unilateral elections going ahead, will be acceptable to the UN Security Council.

Moreover, the Democratic Turnhalle Alliance, the principal *party in Namibia committed to* the South Africa elections, is determined that the resulting elected body should draw a final constitution for independence, under which any subsequent elections should be held. This would be totally unacceptable to the nationalist movements, The South West Africa People's Organisation (SWAPO) and the Namibia National Front.

Given the problems that remain, the talks now seem likely to continue until tomorrow. The unknown factor is the effect of President Carter's secret personal letter to Mr. P. W. Botha, delivered by Mr. Vance yesterday. Mr. Botha declined to reveal the contents today, but declared that he "highly valued" the letter.

In the Namibian capital, Windhoek, three alleged members of SWAPO appeared in *court on sabotage charges* relating to explosions at a railway bridge and a road bridge in the territory. The two incidents, at Karibi in the centre of the country, and Keetmanshoop in the south, were the most *dramatic incidents of sabotage* outside the northern operational area so far revealed. The three were remanded until October 31.

Voters may force Trudeau to step down

BY VICTOR MACKIE — *OTTAWA, Oct. 17.*

THE CANADIAN Liberal Party suffered a severe setback in 15 by-elections across the country on Monday. It retains a majority in the House of Commons but *pressure will start to build up* on Mr. Pierre Elliott Trudeau, the Prime Minister and party leader, to step down this winter.

Campaign party workers reported strong anti-Trudeau sentiment. Some described it as *pathological in its intensity.* Liberals have already started examining the results and assessing their chances in the general election due by next summer. The party campaign committee met today to study the results. *Many Liberals were privately* suggesting that the time had come for the Prime Minister to retire after 10 years.

About 1m Canadians were eligible to vote in this test of the popularity of the Liberal *Government primarily against* the progressive Conservatives, the main opposition party led by Mr. Joe Clark.

The Conservatives won in 10 of the 15 constituencies, and took over six that had previously been Liberal. The Liberals won two Quebec seats, one of which had previously been Tory. Also in Quebec, *the Social Credit Party* held its only seat at stake.

Voters in Newfoundland showed that even outside Quebec, the Conservatives are not having it all their own way. They switched a Tory seat to the *socialist New Democratic Party.*

The Liberal setback was worst in Toronto. Middle-class voters there are disillusioned with the economic management of Mr. Trudeau and the redistributive policies that the Liberals pursued until frightened off by recent political and economic warning signals.

The Toronto defeats are especially ominous, since it is widely believed that the electorate in Ontario, which includes Toronto, holds the key to the general election.

Voters deal blow to Trudeau, Page 6. Editorial Comment, Page 18

NEB plans to cut number of telecommunications companies

BY MAX WILKINSON

THE National Enterprise Board is preparing for a major effort to re-organise the UK telecommunications industry with the help of state funds.

*Its aim is to reduce the num*ber of manufacturers from three to two and to help co-ordinate overseas marketing in the hope of regaining some of the UK's lost share of exports.

The NEB has had a long series of meetings with the three companies involved, the General Electric Company, Standard Telephones and Cables, the ITT subsidiary, and Plessey. It is now believed to have formulated its strategy and is trying to obtain agreement from the companies and the *Government.*

The NEB has considered three main possibilities. The first was outright nationalisation. This was opposed by all three companies and by the Post Office which does not wish to be *dependent on only one monopoly* supplier. It is believed that the NEB has abandoned this possibility as unworkable in present circumstances.

The second possibility was to set up a joint marketing company between the three suppliers, perhaps with NEB help, to promote exports. Such a marketing company would have links with the joint overseas consultancy service, Britel, which *was proposed between the Post* Office, Cable and Wireless and Airadio, the British Airways subsidiary.

Britel, has not so far been launched, mainly because of opposition from the Post Office. *It fears that the high reputation* of British consultancy might be damaged if it were seen to be tied too closely to British manufactured equipment. At present, the manufacturers cannot offer the most modern computer-controlled exchanges demanded by many overseas customers. They are several years behind their rivals in developing the new System X, intended to serve this market.

The proposed joint marketing organisation would be set up to sell System X abroad when it becomes available in the 1980s.

However, one of the problems which is so far unsolved is how the marketing organisation would be able to guarantee delivery schedules unless it had control over manufacture of equipment as well as prices.

The NEB believes the problem would be simplified if there were two telecommunications equipment manufacturers instead of three.

Since GEC is financially the strongest company, the third possibility being considered by the NEB is a merger between the other two, STC and Plessey. *One option would be to set up* a new joint company with shareholdings by Plessey, the NEB and STC. However, the crucial issue of control of the new company does not appear to be resolved. Nor is it clear whether ITT *would be willing to enter* such a joint arrangement.

The present indications are that ITT would certainly not agree to a nominal take-over of STC by Plessey and the NEB. However, ITT has said that it is prepared to put perhaps 30 per cent of STC's shares on the open market in the next few years.

System X: The need to shake phone makers, Page 18

UK may be taken to court over fisheries

BY MARGARET VAN HATTEM — BRUSSELS, Oct. 17.

EEC COMMISSIONERS are expected to decide at their weekly meeting tomorrow, *whether to take Britain to* court over national fisheries measures introduced over the past few months.

Mr. Finn Olav Gundelach, the Commissioner for Agriculture and Fisheries, is expected to urge strongly that the issue be referred to the European Court of Justice following a study of the case by the Commission's legal experts.

This would indicate an abrupt tactical shift by Mr. Gundelach. He intimated recently that he was prepared to let the matter rest in the hope of resuming serious negotiations for a Common Fisheries Policy. This followed UK assurances that no further measures were planned.

Talks have been stalled since *January this year over Britain's* demands for preferential rights within the Community's 200 mile "pond."

UK stands by policy Page 39

Stock Exchange to meet rule book challenge

BY CHRISTINE MOIR

THE STOCK Exchange will not change its rule book just because the Office of Fair Trading says its regulations are restrictive.

The decision to defend the Stock Exchange's trading and listing regulations before the Restrictive Practices Court was formally made at yesterday's full council meeting.

Members of the council *refused to outline the contents* of a letter to be sent to the Office of Fair Trading, and Mr. George Nissen, deputy chairman, said that no official statement would be made until the letter had been received.

But, he added: "It would be wrong to asume that we have capitulated. Decisions were made at the council meeting and there was no major setback to our plans."

The important issues are those relating to the Stock Exchange rules on fixed price commissions and the principle of "single capacity" which forbids members being both brokers and market makers (jobbers). Other important restrictions are bound up with the rules by which the exchange regulates companies whose shares are listed on the market.

The exchange had until the end of October to decide whether to start dismantling the alleged restrictive practices or to start out on a 30-month tussle ending before a Restrictive Practices Court probably around March, 1981.

Yesterday's announcement that a letter will be sent to the Office of Fair Trading within the next few days suggests that the exchange intends to fight on all rounts.

Continued from Page 1

Vauxhall faces strike threat

last two years in terms of output, productivity and profit.

Vauxhall, which has not made a profit in nine years, made a net loss of just under £2m last year, a recovery from its worst recent result in 1974, when it lost £18m. Some union negotiators believe privately that the company's financial position will not allow it to pay more than the 5 per cent limit.

The 14-day breathing-space, given to the company by the trade union side, is thought to be to allow any settlement of the Ford strike and any new TUC-Government understanding to set the pace for settlements in the current wage round.

More militant workers, including skilled men whose differentials have been badly eroded, and workers at the Ellesmere Port plant are expected to seize upon the strike opportunity.

Weather

UK TODAY

SHOWERS in S.E. England, Scotland and Ulster. Mainly dry elsewhere.

London, S.E., Cent. S. England, E. Anglia and Midlands

Scattered showers. Dry later. Max. 13C (55F).

E., N.W., Cent. N., N.E., S.W. **England, Wales, W Midlands and Channel Islands**

Mostly dry, sunny intervals. Max. 15C (59F).

Isle of Man, Scotland, Scottish Isles and N. Ireland

Cloudy, occasional rain. Max. 12C (54F).

Outlook: Mainly dry with rain later in north and west.

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amstrdm.	F	8	46	Luxmbrg.	C	[illegible]	45
Athens	R	18	64	Madrid	S	18	64
Bahrain	S	30	86	Manchstr	F	10	50
Barcelona	S	22	72	Melbourne	R	14	57
Beirut	S	26	79	Milan	C	14	57
Belfast	C	10	50	Montreal	S	4	39
Belgrade	F	15	59	Moscow	S	6	43
Berlin	R	10	50	Munich	R	8	46
Birmghm	F	14	58	Newcastle	F	9	48
Bristol	R	10	50	New York	S	8	46
Brussels	R	7	45	Oslo	C	-	46
Budapest	F	10	50	Paris	C	11	52
B. Aires	S	21	70	Perth	S	21	70
Cairo	S	30	86	Prague	F	10	50
Cardiff	F	11	52	Reykjavik	R	8	46
Chicago	S	10	50	Rio de J'o	C	28	82
Cologne	F	9	48	Rome	F	20	68
Copnhagn.	C	10	50	Singapore	C	30	86
Dublin	C	12	54	Stockholm	C	7	45
Edinbrgh.	F	10	50	Strasbrg.	C	10	50
Frankfurt	C	9	46	Sydney	S	21	70
Geneva	C	11	52	Tehran	S	24	75
Glasgow	S	11	52	Tel Aviv	S	26	79
Helsinki	C	6	43	Tokyo	S	19	66
H. Kong	R	21	70	Toronto	S	6	43
Jo'burg	C	17	63	Vienna	F	11	52
Lisbon	S	22	72	Warsaw	C	11	52
London	R	11	52	Zurich	R	9	48

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	20	68	Jersey	C	13	55
Algiers	[illegible]	18	64	Las Plms.	F	25	77
Biarritz	F	16	61	Locarno	C	12	54
Blackpool	S	11	52	Majorca	F	21	70
Bordeaux	C	12	54	Malaga	S	25	77
Boulogne	C	10	50	Malta	F	21	70
Casablnca.	F	22	72	Nairobi	S	26	79
Cape Town	C	17	63	Naples	F	20	68
Corfu	F	20	68	Nice	S	18	64
Dubrovnik	S	19	66	Nicosia	S	22	72
Faro	S	23	73	Oporto	F	19	[illegible]
Florence	S	20	68	Rhodes	F	22	72
Funchal	C	23	73	Salzburg	C	13	55
Gibraltar	S	24	75	Tangier	S	22	72
Guernsey	C	12	54	Tenerife	S	21	70
Innsbruck	C	12	54	Tunis	F	23	73
Inverness	F	9	48	Valencia	S	22	72
I. of Man	S	11	52	Venice	C	17	63
Istanbul	S	21	70				

S—Sunny. F—Fair C—Cloudy. R—Rain.

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